

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Charter Township of Delta	County Eaton
Audit Date 12/31/05	Opinion Date 3/9/06	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1960)
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Maner, Costerisan, & Ellis, P.C.

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City

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State

MI

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Accountant Signature

Maner, Costerisan & Ellis P.C.

Date

4/18/06

CHARTER TOWNSHIP OF DELTA
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED DECEMBER 31, 2005

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Charter Township of Delta
State of Michigan

March 9, 2006

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Charter Township of Delta, State of Michigan as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Delta's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Delta, State of Michigan as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Charter Township of Delta
State of Michigan

March 9, 2006

The management's discussion and analysis budgetary comparison information and pension plan funding project information on pages viii through xx and 36 through 40, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Delta's basic financial statements. The combining and individual fund financial statements and other additional information presented in pages 41 through 74 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and other additional information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Maner, Costerian & Ellis, P.C." The signature is written in a cursive, flowing style.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Charter Township of Delta (Township), we offer readers of the Charter Township of Delta's financial statements this narrative overview and analysis of the financial activities of the Charter Township of Delta for the fiscal year ended December 31, 2005.

FINANCIAL HIGHLIGHTS

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$94.8 million dollars (net assets). Of this amount, \$29.2 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$4.0 million dollars.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$13.7 million, a decrease of \$1.7 million in comparison with the prior year. Approximately \$9.9 million is available for spending.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$7.0 million, or 40 percent of total general fund expenditures.
- The Township's total long-term liabilities increased \$543 thousand. The key factor in this increase was the Carrier Creek project.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary and additional information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent personal property taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, economic development, and culture and recreation. The business-type activities of the Township include water and sewer activity.

The government-wide financial statements include not only the Township itself (known as the *primary government*), but also the legally separate Economic Development Corporation (EDC) for which the Township is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. The Township also has established the Brownfield Redevelopment Authority. Had there been activity or balances, it would also be reported as a discretely presented component unit. The District Library of Delta, although legally separate, functions for all practical purposes as a department of the Township, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the paramedic fund, both of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund in the required supplementary information and for the special revenue funds in the additional information to demonstrate compliance with budgets.

The basic governmental fund financial statements can be found on pages 3 through 5 of this report.

Proprietary funds. The Township maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its water and sewer activity. The Township does not utilize an internal service fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer funds, both of which are considered to be major funds of the Township.

The basic proprietary fund financial statements can be found on pages 6 through 9 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 10 and 11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 through 35 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Township's progress in funding its obligation to provide pension benefits to its employees and the general and paramedic special revenue fund budgets. Required supplementary information can be found on page 36 through 40 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 41 through 74 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the Township, assets exceeded liabilities by \$94.8 million at the close of the most recent fiscal year.

By far the largest portion of the Township's net assets (63 percent) reflects its investment in capital assets (e.g., land, building, machinery, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Charter Township of Delta's Net Assets

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 22,928,051	\$ 24,272,074	\$ 22,796,377	\$ 23,893,417	\$ 45,724,428	\$ 48,165,491
Capital assets	21,702,100	16,583,713	57,524,998	55,393,641	79,227,098	71,977,354
Total assets	44,630,151	40,855,787	80,321,375	79,287,058	124,951,526	120,142,845
Long-term liabilities outstanding	4,258,823	3,624,316	13,683,521	14,080,993	17,942,344	17,705,309
Other liabilities	10,773,830	10,282,071	1,426,030	1,308,698	12,199,860	11,590,769
Total liabilities	15,032,653	13,906,387	15,109,551	15,389,691	30,142,204	29,296,078
Net assets:						
Invested in capital assets, net of related debt	16,701,050	12,359,472	43,454,571	41,078,414	60,155,621	53,437,886
Restricted	1,436,631	1,159,189	3,990,891	3,896,170	5,427,522	5,055,359
Unrestricted	11,459,817	13,430,739	17,766,362	18,922,783	29,226,179	32,353,522
Total net assets	\$ 29,597,498	\$ 26,949,400	\$ 65,211,824	\$ 63,897,367	\$ 94,809,322	\$ 90,846,767

An additional portion of the Township's net assets (6 percent) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets (\$29.2 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

There was an increase of \$94,721 in restricted assets reported in connection with the Township's business-type activities. All of the increase is due to the estimated cost to replace infrastructure relating to federal funds received for sewer improvements in prior years. The restricted governmental fund net assets increased by \$277,442 which arose from increases in the cemetery perpetual care fund and amounts restricted by source of revenue such as special levies.

The government's net assets increased by \$4.0 million during the current fiscal year. About 67 percent of this increase represents the degree in which increases in ongoing revenues have outstripped similar increases in ongoing expenditures. The remaining 33 percent is attributed to capital contributions made to the enterprise funds.

Governmental activities. Governmental activities increased the Township's net assets by \$2,648,098, thereby accounting for 67 percent of the total growth, while the business-type activities net assets increased by \$1,314,457, which represents 33 percent of the growth in the net assets of the Township. Key elements of this increase are as follows:

Charter Township of Delta's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 2,935,068	\$ 2,693,215	\$ 7,644,741	\$ 6,868,435	\$ 10,579,809	\$ 9,561,650
Operating grants and contributions	338,698	64,871			338,698	64,871
Capital grants and contributions	-	69,296	1,934,642	2,354,704	1,934,642	2,424,000
General revenues:						
Property taxes	7,914,803	7,530,675			7,914,803	7,530,675
Paramedic levy	1,206,111	1,161,232			1,206,111	1,161,232
State sources	2,311,715	2,287,885			2,311,715	2,287,885
Franchise fee-cable	139,395	128,943			139,395	128,943
Unrestricted capital - contributions	694,800				694,800	
Investment earnings	503,692	325,310	628,955	428,898	1,132,647	754,208
Other	230,713	443,741			230,713	443,741
Total revenues	16,274,995	14,705,168	10,208,338	9,652,037	26,483,333	24,357,205
Expenses:						
General government	2,781,722	3,893,696			2,781,722	3,893,696
Public safety	7,414,615	6,961,831			7,414,615	6,961,831
Public works	1,618,839	1,363,409			1,618,839	1,363,409
Culture and recreation	1,693,680	1,658,719			1,693,680	1,658,719
Interest on long-term debt	118,041	105,295			118,041	105,295
Water			3,747,981	3,464,053	3,747,981	3,464,053
Sewer			5,145,900	4,583,411	5,145,900	4,583,411
Total expenses	13,626,897	13,982,950	8,893,881	8,047,464	22,520,778	22,030,414
Increase (decrease) in net assets	2,648,098	722,218	1,314,457	1,604,573	3,962,555	2,326,791
Net assets, beginning of year	26,949,400	26,227,182	63,897,367	62,292,794	90,846,767	88,519,976
Net assets, end of year	\$ 29,597,498	\$ 26,949,400	\$ 65,211,824	\$ 63,897,367	\$ 94,809,322	\$ 90,846,767

- Property taxes increased by \$384,128 (5 percent) during the year. Most of this increase is the product of new construction.
- Overall government activities revenue is up \$1.6 million from prior year. The Township received donated land, increased participation from citizens for programs put on by the Township, an increase in funds received from the federal government, increase in investment earnings, as well as property taxes all contributed to the increase in the revenue.
- Expenses for governmental activities went from \$14.0 million to \$13.6 million, a decrease of \$400 thousand. Majority of the decrease is due to the funding of other post employment benefits in anticipation of new government accounting standards. In prior year the contributions was \$1,000,000, while the current year contribution was \$605,301. Ignoring the funding of other post employment benefits, expenses rose from the prior year by \$38,646.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type activities. Business-type activities increased the Township's net assets by \$1,314,457. Key elements of this increase are as follows.

- **Capital grants and contributions** – Contributions in 2005 were \$1,934,642, \$739,964 in sewer and \$1,194,678 in water.
- **Investment earnings**-Investment earnings increased by \$200,057.

The contributions received, along with the increase in investment earnings was used to offset a combined operating loss of the water and sewer fund of \$861,228.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balance of \$13.7 million, a decrease of \$1.7 million in comparison with the prior year. Approximately three-quarters of this total amount (\$9.9 million) constitutes *unreserved fund balance*, which is available for spending at the government's discretion although special revenue and capital projects funds generally are limited to types of expenditures. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to prepaid expenditures (\$95,527), 2) to pay debt service (\$246,341), 3) to generate income to pay for the perpetual care of the municipal cemetery (\$179,094), or 4) for a variety of other designated purposes (\$3,260,531).

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$7.0 million, while total fund balance reached \$10.3 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 40 percent of total general fund expenditures, while total fund balance represents 59 percent of that same amount.

The fund balance of the Township's general fund decreased by \$1.9 million during the current fiscal year. The key factor in this decrease are as follows:

- The Township started funding the Carrier Creek project. The amount the Township funded was \$3,000,000.
- Due to the continued economic downturn the Township departments were very conservative when making purchases. This was also an important factor in limiting the decrease in the general fund net assets.

The debt service fund has a total fund balance of \$246,341, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$8,345. Revenue remained relatively the same as prior year, while the expense increased mostly due to the increased principal amount required for the debt maturity schedule.

Proprietary funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets for the water and sewer funds at the end of the year amounted to \$17.8 million. The total increase in net assets amounted to \$1,314,457. Other factors concerning the finances of this fund have already been addressed in the discussion of the Township's business-type activities.

General Fund Budgetary Highlights

The final amended budget increased appropriations by \$4,969,628 from the original budget and can be summarized as follows:

- \$120,500 increase in general government activities
- \$175,000 increase in public safety activities
- \$4,506,937 increase in public works activities
- \$167,191 increase in debt service

The main reason for the changes resulted from reallocating expenses across the different governmental activities, as well as the Carrier Creek project and other post employment benefit payment. During the year actual revenue received exceeded the budgetary estimates. This arises primarily from timing of federal grants and certain interfund charges which are properly characterized as expense reductions rather than revenues for reporting purposes.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business type activities as of December 31, 2005, amounts to \$79.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, vehicles, park facilities, sidewalks, and other infrastructure. The total increase in the Township's investment in capital assets for the current fiscal year was 10 percent (a 31 percent increase for governmental activities and a 3.9 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Carrier Creek project in the amount of \$6.1 million
- Construction of various water and sewer projects in the amount of \$1.9 million.

Charter Township of Delta's Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 5,649,130	\$ 4,922,030	\$ 744,144	\$ 744,144	\$ 6,393,274	\$ 5,666,174
Building and building equipment	6,436,427	6,608,220	9,892,191	9,478,567	16,328,618	16,086,787
Land improvements/sidewalks	1,807,291	1,767,829	31,435	36,835	1,838,726	1,804,664
Vehicles	289,751	221,674			289,751	221,674
Equipment	1,582,121	1,659,996	672,498	543,373	2,254,619	2,203,369
Usage rights	5,907,755	1,403,964	1,535,901		7,443,656	1,403,964
Sewer and water mains			43,803,216	43,087,706	43,803,216	43,087,706
Construction in process	29,625		845,613	1,503,016	875,238	1,503,016
	<u>\$ 21,702,100</u>	<u>\$ 16,583,713</u>	<u>\$ 57,524,998</u>	<u>\$ 55,393,641</u>	<u>\$ 79,227,098</u>	<u>\$ 71,977,354</u>

Additional information on the Township's capital assets can be found in Note 4 on pages 22 through 24 of this report.

Long-term debt. At the end of the current fiscal year, the Township had total long-term debt outstanding of \$20.2 million. Of this amount, \$12.4 million comprises debt backed by the full faith and credit of the government. The amount of \$3.6 million of the Township's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds). The remaining \$4.2 million represents compensated absences earned but not used as of year end (\$1.1 million) and other long-term items (\$3.1 million).

Charter Township of Delta's Outstanding Debt
General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation	\$ 2,450,000	\$ 3,150,000	\$ 9,945,000	\$ 10,600,000	\$ 12,395,000	\$ 13,750,000
Revenue bonds			3,600,000	3,725,000	3,600,000	3,725,000
Other long-term debt	2,551,050	1,074,241	535,901		3,086,951	1,074,241
Compensated absences	820,531	824,901	296,807	281,279	1,117,338	1,106,180
Total	<u>\$ 5,821,581</u>	<u>\$ 5,049,142</u>	<u>\$ 14,377,708</u>	<u>\$ 14,606,279</u>	<u>\$ 20,199,289</u>	<u>\$ 19,655,421</u>

The Township's total debt increased by \$543 thousand (3 percent) during the current fiscal year. The key factor in this increase was the Carrier Creek project.

The Township was given an "AAA" rating from Standard & Poor's and Fitch for the general obligation debt due to the bonds being insured. If the bonds had not been insured the ratings would have been "AA-" and "AA+" respectively.

Additional information on the Township's long-term debt can be found in Note 6 on pages 25 through 29 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Delta Township is currently 4.6 percent which is a consistent from a year ago. This compares favorably with the State's average unemployment rate of 6.7 percent.

These factors were taken into consideration when preparing the fiscal year 2006 budget.

Charter Township of Delta's goal is to continually look for the most efficient and effective methods to maintain and enhance the services that are provided to the public. The Township is described as "a growing economic base with a sound financial position and minimal capital needs". The Township has a conservative and financially prudent budget for the fiscal year 2006 that also promotes and funds numerous project objectives that have been set by the Township's Strategic Plan.

The Township has deliberately made conservative estimates concerning state revenue sharing for fiscal year 2006 due to the budget constraints at the State level. It has also estimated investment earnings conservatively anticipating a slow increase in interest rates.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Manager's Office, 7710 West Saginaw Highway, Lansing, MI 48917-9712

BASIC FINANCIAL STATEMENTS

**CHARTER TOWNSHIP OF DELTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2005**

	Primary Government			Component Unit
	Governmental activities	Business-type activities	Total	Economic Development Corporation
ASSETS				
CURRENT ASSETS:				
Cash	\$ 2,197,101	\$ 2,185,298	\$ 4,382,399	\$ 160,533
Investments	14,393,226	12,228,023	26,621,249	
Receivables:				
Accounts	413,907	555,312	969,219	
Taxes	5,658,699		5,658,699	
Interest	109,513	131,717	241,230	
Special assessment-current		116,549	116,549	
Special assessment-interest		26,078	26,078	
Other		93,332	93,332	
Internal balances	60,078	(60,078)		
Current portion of long-term receivable		13,697	13,697	
Prepaid expenses	95,527		95,527	
TOTAL CURRENT ASSETS	22,928,051	15,289,928	38,217,979	160,533
NONCURRENT ASSETS:				
Investments:				
Replacement account - temporarily restricted		3,990,891	3,990,891	
Replacement account - designated		1,741,208	1,741,208	
Deferred charges:				
Tap in charges - deferred		445,869	445,869	
Unamortized bond issuance costs		401,567	401,567	
Special assessments-deferred		466,959	466,959	
Long-term receivable		459,955	459,955	
TOTAL NONCURRENT ASSETS		7,506,449	7,506,449	
CAPITAL ASSETS:				
Land and construction in progress	5,678,755	1,589,757	7,268,512	
Other capital assets, net of accumulated depreciation	16,023,345	55,935,241	71,958,586	
TOTAL CAPITAL ASSETS	21,702,100	57,524,998	79,227,098	
TOTAL ASSETS	44,630,151	80,321,375	124,951,526	160,533

	Primary Government			Component Unit
	Governmental activities	Business-type activities	Total	Economic Development Corporation
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	\$ 188,501	\$ 94,129	\$ 282,630	\$
Accrued salaries and related items	282,222	7,830	290,052	
Accrued interest	41,338	99,317	140,655	
Customer deposits	120,921	135,262	256,183	
Contract retainers payable		4,212	4,212	
Deferred revenue-taxes	8,578,090		8,578,090	
Current portion of long term obligations	1,030,140	901,795	1,931,935	
Current portion of compensated absences	532,618	183,485	716,103	
TOTAL CURRENT LIABILITIES	10,773,830	1,426,030	12,199,860	
NONCURRENT LIABILITIES:				
Noncurrent portion of long term obligations:				
Accrued compensated absences	287,913	113,322	401,235	
Other long-term debt	2,270,910	509,106	2,780,016	
Unamortized bond premiums		391,093	391,093	
Revenue bonds payable		3,475,000	3,475,000	
General obligation debt	1,700,000	9,195,000	10,895,000	
TOTAL NONCURRENT LIABILITIES	4,258,823	13,683,521	17,942,344	
TOTAL LIABILITIES	15,032,653	15,109,551	30,142,204	
NET ASSETS:				
Invested in capital assets net of related debt	16,701,050	43,454,571	60,155,621	
Restricted for perpetual care	179,094		179,094	
Restricted for capital outlay		3,990,891	3,990,891	
Restricted for paramedic services	1,052,534		1,052,534	
Restricted for debt service	205,003		205,003	
Unrestricted	11,459,817	17,766,362	29,226,179	160,533
TOTAL NET ASSETS	\$ 29,597,498	\$ 65,211,824	\$ 94,809,322	\$ 160,533

See notes to financial statements.

**CHARTER TOWNSHIP OF DELTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2005**

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets			Component Unit Economic Development Corporation
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government			
					Governmental activities	Business-type activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 2,781,722	\$ 77,322	\$	\$	\$ (2,704,400)	\$	\$ (2,704,400)	\$
Public safety	7,414,615	875,951	312,560		(6,226,104)		(6,226,104)	
Public works	1,618,839	1,547,339			(71,500)		(71,500)	
Culture and recreation	1,693,680	434,456	26,138		(1,233,086)		(1,233,086)	
Interest on long-term debt	118,041				(118,041)		(118,041)	
Total governmental activities	13,626,897	2,935,068	338,698		(10,353,131)		(10,353,131)	
Business-type activites:								
Water	3,747,981	4,203,514		1,194,678		1,650,211	1,650,211	
Sewer	5,145,900	3,441,227		739,964		(964,709)	(964,709)	
Total business activities	8,893,881	7,644,741		1,934,642		685,502	685,502	
Total primary government	\$ 22,520,778	\$ 10,579,809	\$ 338,698	\$ 1,934,642			(9,667,629)	
Component unit:								
Economic Development Corporation	\$ 3,735	\$	\$	\$				(3,735)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					7,159,174		7,159,174	
Property taxes, levied for debt service					755,629		755,629	
Paramedic levy					1,206,111		1,206,111	
State sources					2,311,715		2,311,715	
Franchise fee-cable					139,395		139,395	
Unrestricted capital contributions					694,800		694,800	
Investment earnings					503,692	628,955	1,132,647	3,871
Other					230,713		230,713	
Total general revenues					13,001,229	628,955	13,630,184	3,871
Change in net assets					2,648,098	1,314,457	3,962,555	136
Net assets, beginning of year					26,949,400	63,897,367	90,846,767	160,397
Net assets, end of year					\$ 29,597,498	\$ 65,211,824	\$ 94,809,322	\$ 160,533

See notes to financial statements.

CHARTER TOWNSHIP OF DELTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

		Paramedic fund (a special revenue fund)	Other governmental funds	Total governmental funds
	General			
ASSETS				
ASSETS:				
Cash	\$ 1,576,938	\$ 124,728	\$ 495,435	\$ 2,197,101
Investments	11,630,819	920,968	1,841,439	14,393,226
Receivables				
Accounts	413,907			413,907
Taxes	3,616,412	1,251,733	758,923	5,627,068
Interest	91,952	6,837	10,724	109,513
Due from other funds	69,988			69,988
Prepaid expenditures	87,527		8,000	95,527
TOTAL ASSETS	<u>\$ 17,487,543</u>	<u>\$ 2,304,266</u>	<u>\$ 3,114,521</u>	<u>\$ 22,906,330</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 175,398	\$	\$ 13,103	\$ 188,501
Accrued salaries and related items	281,486		736	282,222
Due to other funds			9,910	9,910
Customer deposits	120,921			120,921
Deferred revenue	6,567,435	1,251,732	758,923	8,578,090
TOTAL LIABILITIES	<u>7,145,240</u>	<u>1,251,732</u>	<u>782,672</u>	<u>9,179,644</u>
FUND BALANCES:				
Reserved for prepaid expenditures	87,527		8,000	95,527
Reserved for debt service			246,341	246,341
Reserved for perpetual care fund			179,094	179,094
Designated:				
Compensated absences	805,047		15,484	820,531
Roads	1,200,000			1,200,000
Retiree health insurance	750,000			750,000
Non-mortorized transportation	300,000			300,000
MEF	190,000			190,000
Unreserved, undesignated reported in:				
General fund	7,009,729			7,009,729
Special revenue funds		1,052,534	1,713,223	2,765,757
Capital projects fund			169,707	169,707
TOTAL FUND BALANCES	<u>10,342,303</u>	<u>1,052,534</u>	<u>2,331,849</u>	<u>13,726,686</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 17,487,543</u>	<u>\$ 2,304,266</u>	<u>\$ 3,114,521</u>	<u>\$ 22,906,330</u>

	General	Paramedic fund	Other governmental funds	Total governmental funds
Total Governmental Fund Balances				\$ 13,726,686
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:				
Cost of the capital assets			\$ 32,099,341	
Less accumulated depreciation			<u>10,397,241</u>	21,702,100
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds				
Delinquent personal property taxes receivable, less allowance for doubtful accounts				31,631
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:				
General obligation debt				(2,450,000)
Other long-term debt				(2,551,050)
Compensated absences				(820,531)
Accrued interest				<u>(41,338)</u>
Net assets of governmental activities				<u>\$ 29,597,498</u>

CHARTER TOWNSHIP OF DELTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2005

	<u>General</u>	<u>Paramedic fund (a special revenue fund)</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
REVENUES:				
Local sources:				
Property taxes	\$ 7,164,970	\$	\$ 755,629	\$ 7,920,599
Paramedic levy		1,206,111		1,206,111
Licenses and permits	1,285,177			1,285,177
Charges for services	1,392,237		152,233	1,544,470
Investment earnings	411,750	45,687	46,255	503,692
Local grants	47,334			47,334
Other	390,249		37,946	428,195
Total local sources	10,691,717	1,251,798	992,063	12,935,578
State sources	2,311,715		26,138	2,337,853
Federal sources	312,560			312,560
Total revenues	13,315,992	1,251,798	1,018,201	15,585,991
EXPENDITURES:				
Current:				
General government	2,773,186			2,773,186
Capital outlay-capital projects fund			13,625	13,625
Public safety	7,078,289	179,435		7,257,724
Public works	6,172,492			6,172,492
Culture and recreation	1,157,594		562,192	1,719,786
Debt service:				
Principal repayment	191,320		700,000	891,320
Interest expense	57,435		70,275	127,710
Total expenditures	17,430,316	179,435	1,346,092	18,955,843
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,114,324)</u>	<u>1,072,363</u>	<u>(327,891)</u>	<u>(3,369,852)</u>
OTHER FINANCING SOURCES (USES):				
Drain usage rights - Eaton County	1,668,128			1,668,128
Interfund transfers from other funds	936,891		464,420	1,401,311
Interfund transfers to other funds	(464,420)	(809,154)	(127,737)	(1,401,311)
Total other financing sources (uses)	2,140,599	(809,154)	336,683	1,668,128
Net change in fund balances	(1,973,725)	263,209	8,792	(1,701,724)
FUND BALANCES:				
Beginning of year	12,316,028	789,325	2,323,057	15,428,410
End of year	<u>\$ 10,342,303</u>	<u>\$ 1,052,534</u>	<u>\$ 2,331,849</u>	<u>\$ 13,726,686</u>

See notes to financial statements.

**CHARTER TOWNSHIP OF DELTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2005**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (1,701,724)
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(928,485)
Capital outlay	5,373,826
Realized loss on disposal of fixed assets	(21,754)
Donated capital assets not recorded as revenue due to not being considered available	694,800
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable beginning of the year	51,007
Accrued interest payable end of the year	(41,338)
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	891,320
Drain assessments from Eaton County (long-term debt recorded as an other financing source at the fund level)	(1,668,128)
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Accrued revenue beginning of the year - primarily delinquent personal property taxes	(37,427)
Accrued revenue end of the year - primarily delinquent personal property taxes	31,631
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences beginning of the year	824,901
Accrued compensated absences end of the year	(820,531)
Change in net assets of governmental activities	<u>\$ 2,648,098</u>

CHARTER TOWNSHIP OF DELTA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

ASSETS	Business-type activities-Enterprise funds		
	Sewer fund	Water fund	Total
CURRENT ASSETS:			
Cash	\$ 1,402,818	\$ 782,480	\$ 2,185,298
Investments	6,366,845	5,861,178	12,228,023
Receivables:			
Accounts		555,312	555,312
Interest	76,894	54,823	131,717
Special assessment-current	50,735	65,814	116,549
Special assessment-interest	9,227	16,851	26,078
Other	5,234	88,098	93,332
Current portion of long-term receivable		13,697	13,697
TOTAL CURRENT ASSETS	7,911,753	7,438,253	15,350,006
NONCURRENT ASSETS:			
Investments:			
Replacement account - temporarily restricted	3,990,891		3,990,891
Replacement account - designated		1,741,208	1,741,208
Deferred charges:			
Tap in charges - deferred	265,023	180,846	445,869
Unamortized bond issuance cost	41,418	360,149	401,567
Special assessment-deferred	45,181	421,778	466,959
Long-term receivable		459,955	459,955
TOTAL NONCURRENT ASSETS	4,342,513	3,163,936	7,506,449
PROPERTY, PLANT AND EQUIPMENT , net of accumulated depreciation	33,593,844	23,931,154	57,524,998
TOTAL ASSETS	45,848,110	34,533,343	80,381,453

LIABILITIES AND NET ASSETS	Business-type activities-Enterprise funds		
	Sewer fund	Water fund	Total
CURRENT LIABILITIES:			
Accounts payable	\$ 57,364	\$ 36,765	\$ 94,129
Accrued payroll, taxes and withholdings	6,558	1,272	7,830
Accrued interest	16,090	83,227	99,317
Customer deposits	68,393	66,869	135,262
Current portion of long-term liabilities	210,545	691,250	901,795
Current portion of compensated absences	162,447	21,038	183,485
Contract retainers payable		4,212	4,212
Due to other funds	43,066	17,012	60,078
TOTAL CURRENT LIABILITIES	564,463	921,645	1,486,108
LONG-TERM LIABILITIES , net of current portion:			
Compensated absences	96,193	17,129	113,322
Other long-term debt	509,106		509,106
Unamortized bond premiums	95,806	295,287	391,093
Revenue bonds payable		3,475,000	3,475,000
General obligation tax bonds	2,252,775	6,942,225	9,195,000
TOTAL LONG-TERM LIABILITIES	2,953,880	10,729,641	13,683,521
TOTAL LIABILITIES	3,518,343	11,651,286	15,169,629
NET ASSETS:			
Invested in capital assets net of related debt	30,567,030	12,887,541	43,454,571
Restricted for capital outlay	3,990,891		3,990,891
Unrestricted	7,771,846	9,994,516	17,766,362
TOTAL NET ASSETS	\$ 42,329,767	\$ 22,882,057	\$ 65,211,824

**CHARTER TOWNSHIP OF DELTA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
YEAR ENDED DECEMBER 31, 2005**

	Business-type activities-Enterprise funds		
	Sewer fund	Water fund	Total
OPERATING REVENUES:			
Charges for services	\$ 2,991,110	\$ 3,572,919	\$ 6,564,029
Capital charges	227,897	239,901	467,798
Hydrant rental		125,720	125,720
Forfeited discounts	40,265	44,547	84,812
Other services charges		151,037	151,037
Other	10,041	24,173	34,214
Total operating revenues	3,269,313	4,158,297	7,427,610
OPERATING EXPENSES:			
Costs of sales and services	3,294,012	2,589,413	5,883,425
Depreciation	1,759,163	646,250	2,405,413
Total operating expenses	5,053,175	3,235,663	8,288,838
Operating income (loss)	(1,783,862)	922,634	(861,228)
NON-OPERATING REVENUES (EXPENSES):			
Contributions-infrastructure	739,964	1,194,678	1,934,642
Main charges	171,914	45,217	217,131
Investment income - net	345,144	283,811	628,955
Interest and fiscal charges	(97,670)	(508,076)	(605,746)
Bond issuance cost	(3,765)	(31,086)	(34,851)
Bond premium	8,710	26,844	35,554
Total non-operating revenues - net	1,164,297	1,011,388	2,175,685
Change in net assets	(619,565)	1,934,022	1,314,457
NET ASSETS, beginning of year	42,949,332	20,948,035	63,897,367
NET ASSETS, end of year	<u>\$ 42,329,767</u>	<u>\$ 22,882,057</u>	<u>\$ 65,211,824</u>

See notes to financial statements.

**CHARTER TOWNSHIP OF DELTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2005**

	Business-type activities-Enterprise funds		
	Sewer fund	Water fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
ACTIVITIES:			
Receipts from customers and users	\$ 2,991,110	\$ 3,512,995	\$ 6,504,105
Capital charges	227,897	239,901	467,798
Hydrant rental		125,720	125,720
Forfeited discounts	40,265	44,547	84,812
Other services charges		151,037	151,037
Other	10,041	24,173	34,214
Payment to suppliers	(1,241,673)	(1,904,755)	(3,146,428)
Payment to employees	(2,035,164)	(699,093)	(2,734,257)
Payment (receipts) for interfund services	7,072	2,714	9,786
Net cash provided (used) in operating activities	(452)	1,497,239	1,496,787
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Contributions	739,964	1,194,678	1,934,642
Main and tap in charges	222,551	52,047	274,598
Net cash provided by noncapital financing activities	962,515	1,246,725	2,209,240
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest received from special assessments	35,898	61,585	97,483
Proceeds (payments) from special assessments	5,761	73,370	79,131
Proceeds from flowage rights	535,901		535,901
Principal repayments on debt	(160,475)	(619,525)	(780,000)
Interest (paid) earned on bonds and land contract	(98,205)	(510,770)	(608,975)
Payments for capital acquisitions	(3,078,467)	(1,458,300)	(4,536,767)
Net cash used by capital and related financing activities	(2,759,587)	(2,453,640)	(5,213,227)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received from investments	290,049	202,091	492,140
Sale (purchase) of investments	(1,552,313)	(87,697)	(1,640,010)
Net cash provided (used) by investing activities	(1,262,264)	114,394	(1,147,870)
NET INCREASE (DECREASE) IN CASH	(3,059,788)	404,718	(2,655,070)
CASH:			
Beginning of year	4,462,606	377,762	4,840,368
End of year	\$ 1,402,818	\$ 782,480	\$ 2,185,298

See notes to financial statements.

**CHARTER TOWNSHIP OF DELTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2005**

	<u>Business-type activities-Enterprise funds</u>		
	<u>Sewer fund</u>	<u>Water fund</u>	<u>Total</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSE) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ (1,783,862)	\$ 922,634	\$ (861,228)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	1,759,163	646,250	2,405,413
(Increase) decrease in assets:			
Receivables		(59,924)	(59,924)
Due to/from other funds-net	7,072	2,714	9,786
Increase (decrease) in liabilities:			
Accounts payable	25,478	(47,437)	(21,959)
Accrued compensated absences	9,460	6,068	15,528
Customer deposits	(17,763)	22,722	4,959
Contract retainers payable		4,212	4,212
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) in operating activities	<u>\$ (452)</u>	<u>\$ 1,497,239</u>	<u>\$ 1,496,787</u>

**CHARTER TOWNSHIP OF DELTA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2005**

	Pension trust fund	Other post employment benefit trust fund	Agency fund	
	Employee retirement	Retiree health benefits	Tax collection fund	Total Fiduciary funds
ASSETS				
ASSETS:				
Cash	\$	\$	\$ 730,923	\$ 730,923
Investments	16,660,134	1,646,566	4,856,380	23,163,080
Taxes receivable - delinquent			439,269	439,269
Interest receivable			36,531	36,531
TOTAL ASSETS	16,660,134	1,646,566	6,063,103	24,369,803
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Undistributed tax collections:				
Current			5,621,169	5,621,169
Delinquent and other			441,934	441,934
TOTAL LIABILITIES			6,063,103	6,063,103
NET ASSETS:				
Held in trust for pension benefits and other purposes	<u>\$ 16,660,134</u>	<u>\$ 1,646,566</u>	<u>\$</u>	<u>\$ 18,306,700</u>

CHARTER TOWNSHIP OF DELTA
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED DECEMBER 31, 2005

	<u>Pension trust fund</u>	<u>Other post employment benefit</u>	
	<u>Employee retirement</u>	<u>Retiree health benefits</u>	<u>Total</u>
ADDITIONS:			
Investment income-net	\$ 1,236,826	\$ 41,265	\$ 1,278,091
Contributions	<u>570,786</u>	<u>605,301</u>	<u>1,176,087</u>
Total additions	1,807,612	646,566	2,454,178
DEDUCTIONS:			
Distributions	<u>2,259,771</u>		<u>2,259,771</u>
Change in net assets	(452,159)	646,566	194,407
NET ASSETS:			
Beginning of year	<u>17,112,293</u>	<u>1,000,000</u>	<u>18,112,293</u>
End of year	<u><u>\$ 16,660,134</u></u>	<u><u>\$ 1,646,566</u></u>	<u><u>\$ 18,306,700</u></u>

**CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Charter Township of Delta (Township) is incorporated under the provisions of Act 359, P.A. 1947 as amended (Charter Township Act) and is located in mid-Michigan. The Township provides the following services as authorized by its charter; public safety (police and fire), public improvements (streets, sewers, water system, lighting), planning and zoning, recreation and general administrative services.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The blended component unit, although a legally separate entity, is, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended Component Unit

The following is a description of the blended component unit:

The Delta Township District Library is a separate governmental entity established by Act 24, Michigan Public Acts of 1989, as amended. The primary purpose of the District Library is to provide library services to the residents of Delta Township including the Waverly Community Schools. The Board of Directors is comprised of a six member board, four appointed by Delta Township and two appointed by Waverly Community Schools. The Township provides significant funding to operate the District Library. The Library is reported as a special revenue fund.

Discretely Presented Component Units

The following is a description of the discretely presented component units:

The Economic Development Corporation of the Charter Township of Delta (EDC) is excluded from the reporting entity - the EDC is a nonstock, nonprofit corporation. The primary purpose of the corporation is to encourage and assist commercial enterprises to locate and expand facilities and services in the Township and to its residents. The corporation is organized pursuant to the State of Michigan, Public Act 338 of 1974, as amended. Members of the Board of Directors of the corporation are appointed by the Township Board of Trustees. The Township Board has the ability to exercise oversight responsibility, specifically in the area of designation of management. The EDC is presented as a discretely presented component unit.

The Brownfield Redevelopment Authority was established in 2002. The Authority has no balances and no activity took place during the year. As a consequence, it is not reported in the financial statements.

CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. Likewise, the *primary* government is reported separately from its legally separate *component* units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *paramedic fund* is a special revenue fund. It is utilized to account for the Township's ambulance service tax levy.

The government reports the following major proprietary funds:

The water and sewer funds are used to account for the results of operations that provide a service to citizens that are financed primarily by user charges for the provision of that service.

Additionally, the government reports the following fund types:

Special revenue funds - The *special revenue funds* account for revenue sources that are legally restricted for specific purpose (not including expendable trusts or major capital projects). The Township's special revenue funds include the improvement revolving, budget stabilization and library (blended component unit) funds.

**CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Capital project fund - The *capital projects fund* accounts for the receipt of general debt proceeds and the acquisition of fixed assets or construction of related major capital projects.

Debt service fund - The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt payable from a property tax debt levy. The Township's only current debt service fund relates to the Central Fire Station

Permanent fund - The Township utilizes the Cemetery Perpetual Care fund to account for principal trust amounts received and related interest.

Additionally, the government reports as fiduciary funds, the employee retirement pension trust fund and the tax collection fund (agency fund).

The *pension trust fund* accounts for the activities of the Money Purchase Retirement Plan, which accumulates resources for pension benefit payments to qualified employees.

The other *post employment benefit trust fund* accounts for the accumulated resources related to health benefit payments to qualified retirees.

The *agency fund* is utilized to account for the Township's collection of taxes for other governmental units.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for water, sewer and engineering services between the water and sewer funds and other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds are charges to customers for sales and services. The funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

Cash includes amounts in petty cash and demand deposits. Investments include instruments allowed by state statute subsequently described. Investments are carried at amortized cost or fair value.

State statutes authorized the Township to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Concluded)

The Township's retirement system investments are held in trust by the investment fiduciary, ICMA Retirement Corporation. Michigan Compiled Laws, Section 38.1132, authorizes Delta Township's retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contract obligations of a specified nature, and real or personal property.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" and are all current. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Accounts receivable in the proprietary funds do not have an allowance for uncollectibles. Delinquent amounts are ultimately added to the tax roll and become a lien on the property and as a consequence, no allowance is deemed necessary. An allowance is recorded related to delinquent personal property taxes amounting to fifty percent of the total. No other allowances are deemed necessary.

E. Prepaid Expenses

All inventories are valued at cost using the first-in/first-put (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

F. Restricted Assets

Restricted assets relate to amounts restricted for capital improvements by granting agencies.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (sidewalks and usage rights), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets (Concluded)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvement are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful live:

Assets	Years
Buildings	50
Building improvements	20
Public domain infrastructure	50
System infrastructure	30
Vehicles	5
Office equipment	5
Computer equipment	5

H. Compensated Absences

It is the Township's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which will be paid to employees upon separation from the Township. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CHARTER TOWNSHIP OF DELTA NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

I. Long-term Obligations (Concluded)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. Comparative data/reclassifications

Comparative total data for the prior year have been presented only for certain individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 - LEGAL COMPLIANCE - BUDGETS

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

Encumbrances represent commitments related to unperformed contracts for goods or services. The Township does not utilize encumbrance accounting.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or prior to September 1 of each year, a proposed budget is submitted to the Township Board for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to December 31 the budget is legally enacted through passage of a resolution.

CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - LEGAL COMPLIANCE - BUDGETS (Concluded)

4. Any revisions of the budget must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds.
6. Budgets for general and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted, or as amended by the Township Board during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.
7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of December 31, 2005, the Township had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
U.S. Treasury Notes	\$ 4,318,009	4.8370	AAA	13.8%
U.S. Treasury Strip	184,725	22.8904	AAA	0.6%
Commercial Paper	9,702,380	0.1598	A2	31.0%
Commercial Paper	6,033,605	0.0594	A1+	19.3%
U.S. Agency Loans	641,472	4.2110	AAA	2.1%
Mortgage Backed Securities:				
U.S. Agency	3,912,260	17.8457	AAA	12.5%
Other	1,378,999	12.5503	AAA	4.4%
Investment Grade Bonds	1,395,795	5.8312	AAA	4.5%
Government Securities-other	1,427,101	6.8654	AAA	4.6%
MBIA External Investment Pool - CLASS	2,288,652	0.0027	Not rated	7.2%
Total fair value	<u>\$ 31,282,998</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>4.3070</u>		

CHARTER TOWNSHIP OF DELTA

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The Township voluntarily invests excess funds in pooled short term investment funds which included money market funds. One of the pooled investment funds utilized by the Township is MBIA. MBIA is an external pooled investment fund of “qualified” investments for Michigan townships. MBIA is not regulated nor is it registered with the SEC. MBIA reports as of December 31, 2005, the fair value of the Township’s investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township’s cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township’s deposits may not be returned to it. As of December 31, 2005, \$10,828,440 of the Township’s bank balance of \$11,200,585 was exposed to custodial credit risk because it was uninsured and uncollateralized. Certificate of deposits and money market accounts are included in the above totals.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk.

CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

The above amounts as previously reported in Note 3:

Deposits	\$ 11,200,585
Investments	<u>31,282,998</u>
	<u>\$ 42,483,583</u>

The above amounts are reported in the financial statements as follows:

Cash - Tax collection fund (a fiduciary fund)	\$ 730,923
Investments - Tax collection fund (a fiduciary fund)	4,856,380
Cash - Component unit	160,533
Cash - Township wide	4,382,399
Investments - Township wide	26,621,249
Investments - Township wide temporarily restricted	3,990,891
Investments - Township wide designated	<u>1,741,208</u>
	<u>\$ 42,483,583</u>

CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

The capital assets are as follows:

	Balance December 31, 2004	Additions	Deletions	Balance December 31, 2005
Primary government:				
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,922,030	\$ 727,100	\$ -	\$ 5,649,130
Work in process		29,625		29,625
Total capital assets, not being depreciated	4,922,030	756,725	-	5,678,755
Capital assets, being depreciated:				
Buildings and building equipment	10,267,596			10,267,596
Land improvements and sidewalks	3,648,897	184,625		3,833,522
Vehicles	628,217	139,941	31,174	736,984
Flowage rights	1,905,338	4,668,128		6,573,466
Equipment	4,715,752	319,207	25,941	5,009,018
Total capital assets, being depreciated	21,165,800	5,311,901	57,115	26,420,586
Less accumulated depreciation for:				
Buildings and building equipment	3,659,376	171,793		3,831,169
Land improvements	1,881,068	145,163		2,026,231
Vehicles	406,543	70,864	30,174	447,233
Flowage rights	501,374	164,337		665,711
Equipment	3,055,756	376,328	5,187	3,426,897
Total accumulated depreciation	9,504,117	928,485	35,361	10,397,241
Total capital assets, being depreciated, net	11,661,683	4,383,416	21,754	16,023,345
Total	\$ 16,583,713	\$ 5,140,141	\$ 21,754	\$ 21,702,100

CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS (Continued)

	Balance December 31, 2004	Additions	Deletions	Balance December 31, 2005
Primary government:				
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 744,144	\$ -	\$ -	\$ 744,144
Construction in progress	1,503,016	707,795	1,365,198	845,613
Total capital assets, not being depreciated	2,247,160	707,795	1,365,198	1,589,757
Capital assets, being depreciated:				
Buildings and building equipment	25,312,730	1,408,635		26,721,365
Land improvements/sidewalks	59,085			59,085
Equipment	1,916,830	280,935	16,604	2,181,161
Flowage rights		1,535,901		1,535,901
Sewer and water mains	60,663,626	1,968,702		62,632,328
Total capital assets, being depreciated	87,952,271	5,194,173	16,604	93,129,840
Less accumulated depreciation for:				
Buildings and building equipment	15,834,163	995,011		16,829,174
Land improvements	22,250	5,400		27,650
Equipment	1,373,457	151,810	16,604	1,508,663
Sewer and water mains	17,575,920	1,253,192		18,829,112
Total accumulated depreciation	34,805,790	2,405,413	16,604	37,194,599
Total capital assets, being depreciated, net	53,146,481	2,788,760	-	55,935,241
Total	\$ 55,393,641	\$ 3,496,555	\$ 1,365,198	\$ 57,524,998

**CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS (Concluded)

Depreciation expense was charged to functions/programs of the primary government at December 31, 2005 as follows:

Governmental activities:	
General government	\$ 160,805
Public safety	301,863
Public works	315,648
Culture and recreation	<u>150,169</u>
Total depreciation expense - governmental activities	<u><u>\$ 928,485</u></u>
Business type activities:	
Water	\$ 646,250
Sewer	<u>1,759,163</u>
Total depreciation expense - business-type activities	<u><u>\$ 2,405,413</u></u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS

The composition of interfund balances as of December 31, 2005 is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Water fund	\$ 17,012
	Sewer fund	43,066
	Special revenue	<u>9,910</u>
		<u><u>\$ 69,988</u></u>

CHARTER TOWNSHIP OF DELTA **NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS (Concluded)

The outstanding balances between funds result mainly from the accrued payroll. The payroll is calculated in the general fund, and the other funds reimburse. The general fund expects to collect in the subsequent year.

Interfund transfers:

<u>Receivable fund</u>	<u>Transfer in</u>	
	<u>General fund</u>	<u>Nonmajor special revenue</u>
Transfer out:		
General fund	\$	\$ 464,420
Major special revenue	809,154	
Nonmajor special revenue	<u>127,737</u>	
	<u>\$ 936,891</u>	<u>\$ 464,420</u>

Transfers are used to 1) move revenues from the fund with collection authorization to the general fund for reimbursement of expenses incurred on behalf of the paramedic fund, 2) move funds for purchase of capital outlay, 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

NOTE 6 - LONG-TERM DEBT

General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years was \$16,275,000.

CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM DEBT (Continued)

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 15-year serial bonds with differing amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Governmental activities	2.50%	\$ 2,450,000
Business-type activities	2.0% - 5.0%	<u>9,945,000</u>
		<u>\$ 12,395,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year ending December 31</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 750,000	\$ 51,875	\$ 750,000	\$ 386,069
2007	800,000	32,500	735,000	368,913
2008	900,000	11,250	730,000	348,775
2009			830,000	324,338
2010			820,000	296,500
2011 - 2015			4,980,000	899,225
2016			1,100,000	27,500
	<u>\$ 2,450,000</u>	<u>\$ 95,625</u>	<u>\$ 9,945,000</u>	<u>\$ 2,651,320</u>

Revenue Bonds

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Wastewater treatment Water fund	4.95% - 6.00%	<u>\$ 3,600,000</u>

CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM DEBT (Continued)

Revenue bond debt service requirements to maturity are as follows:

Year ending December 31	Business-type activities	
	Principal	Interest
2006	\$ 125,000	\$ 201,862
2007	125,000	195,524
2008	150,000	189,124
2009	175,000	181,400
2010	175,000	172,225
2011 - 2015	1,100,000	703,914
2016 - 2020	1,750,000	322,126
	<u>\$ 3,600,000</u>	<u>\$ 1,966,175</u>

Other Long-Term Debt

The government issued an installment note to provide funds for the acquisition of a fire truck. The original amount issued in prior years was \$633,130. The installment note outstanding at year end is as follow:

Purpose	Interest rate	Amount
Governmental activities	4.80%	<u>\$ 316,582</u>

The government is assessed for drains at large by Eaton County. The assessment covers the Township's share of installation and usage rights for the drains. General assessment outstanding at year end are as follows:

Purpose	Interest rate	Amount
Governmental activities	4.90% - 7.02%	\$ 2,234,468
Business type activities	5.25%	<u>535,901</u>
		<u>\$ 2,770,369</u>

CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM DEBT (Continued)

Installment notes and general assessment debt service requirements are as follows:

Year ending December 31	Governmental activities Installment notes		General assessment	
	Principal	Interest	Principal	Interest
2006	\$ 63,330	\$ 15,195	\$ 219,854	\$ 32,017
2007	253,252	12,141	212,008	106,553
2008			128,411	95,671
2009			126,911	88,798
2010			126,911	82,611
2011 - 2015			593,392	308,069
2016 - 2020			426,577	172,533
2021 - 2025			400,404	64,100
	<u>\$ 316,582</u>	<u>\$ 27,336</u>	<u>\$ 2,234,468</u>	<u>\$ 950,352</u>

Year ending December 31	Business type activities General assessment	
	Principal	Interest
2006	\$ 26,795	\$ 83
2007	26,795	26,728
2008	26,795	25,321
2009	26,795	23,915
2010	26,795	22,736
2011 - 2015	133,975	91,438
2016 - 2020	133,975	56,270
2021 - 2025	133,976	21,101
	<u>\$ 535,901</u>	<u>\$ 267,592</u>

CHARTER TOWNSHIP OF DELTA **NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM DEBT (Concluded)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 3,150,000	\$	\$ 700,000	\$ 2,450,000	\$ 750,000
Other long-term debt	1,074,242	1,668,128	191,320	2,551,050	280,140
Compensated absences	824,901		4,370	820,531	532,618
	<u>\$ 5,049,143</u>	<u>\$ 1,668,128</u>	<u>\$ 895,690</u>	<u>\$ 5,821,581</u>	<u>\$ 1,562,758</u>
Business-type activities:					
Bonds payable:					
General obligation	\$ 10,600,000	\$	\$ 655,000	\$ 9,945,000	\$ 750,000
Revenue bonds	3,725,000		125,000	3,600,000	125,000
Other long-term debt		535,901		535,901	26,795
Add:					
Bond premiums	426,646		35,553	391,093	
	14,751,646	535,901	815,553	14,471,994	901,795
Compensated absences	281,279	15,528		296,807	183,485
	<u>\$ 15,032,925</u>	<u>\$ 551,429</u>	<u>\$ 815,553</u>	<u>\$ 14,768,801</u>	<u>\$ 1,085,280</u>

NOTE 7 - PROPERTY TAX REVENUE

Property taxes become an enforceable lien on the property as of December 1. Taxes are levied on December 1 and are due in February of the following year. The Township bills and collects its own property taxes and also taxes for the county, intermediate school district, community college and school districts. All tax collections are accounted for in the tax collection fund, an agency fund. Township tax revenues are recognized in the fiscal year following the December 1 levy date. Property taxes levied for the ensuing year's revenue are included in taxes receivable and deferred revenue. Property tax receivables related to delinquent taxes are also deferred unless collected within 60 days of year-end.

CHARTER TOWNSHIP OF DELTA NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PROPERTY TAX REVENUE (Concluded)

The Township is permitted by state statute to levy taxes up to \$5.00 per \$1,000 of taxable valuation for general government services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. In addition, the residents of the Township have approved an additional \$1.00 per \$1,000 specifically for the operation of the paramedic operations and an additional \$0.60 per \$1,000 specifically for improvements of the fire department. The Township levied \$4.9287 per \$1,000 for general governmental purposes, \$0.9896 per \$1,000 for the paramedic operation, and \$0.6000 per \$1,000 for the fire department improvements for a total of \$6.5183 per \$1,000.

NOTE 8 - PENSION PLANS

Money Purchase Retirement Plan

The Charter Township of Delta has a Money Purchase Retirement Plan which was established on January 1, 1971. This defined contribution plan covers all full time employees and elected officials who have attained the age of eighteen years. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus results of investments transactions. The Plan assets are invested by ICMA Retirement Corporation who is the trustee of the Plan. The Township acts as a public plan sponsor for the retirement plan. Partial vesting occurs after three years of service at 20% and increases 20% per year until full vesting occurs at seven years of service. The Township contributes 12.5% of the employees' base annual compensation, based on the contribution provisions set up in the plan and trust agreement. The Township's total payroll was \$7,039,070 in 2005. The base salary amounted to \$4,566,286. The Township made the required contributions of \$570,786. No significant employee contributions were made. Plan provisions and contribution requirements are established and may be amended by the Township.

Deferred compensation plan

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, which is available to all Township employees, permits them to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The Plan assets are held in trust for the exclusive benefit of participating employees and are not assessable by the government or its creditors.

CHARTER TOWNSHIP OF DELTA NOTES TO FINANCIAL STATEMENTS

NOTE 8 - PENSION PLANS (Continued)

Defined Benefit Plan

a. Plan Description

On July 1, 1994, the Township and its firefighters union elected to place the union firefighters into the Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS). The MERS was organized pursuant to Act No. 427, Public Acts of 1984, as amended, and the Constitution of the State of Michigan. The Township has no administrative responsibility for the plan. The Municipal Retirement System issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing Municipal Employee Retirement Systems of Michigan, Lansing, Michigan 48917 or calling (517) 622 - 4401.

b. Funding Policy

The Plan provides for vesting of benefits after 10 years of credited service. Participants may elect normal retirement at age 60 with 10 or more years of service. The Plan also provides for early retirement at age 55 with 15 or more years of service, and at age 50 with 25 or more years of service. Election of early retirement is subject to reduction of benefits as outlined below.

Participants of the firefighters union are entitled to a retirement benefit equal to the credited service at the time of membership termination multiplied by 1% to 2.5% of the member's final average compensation (F.A.C.) up to a maximum of 80% of F.A.C. subject to certain limitations. The retirement allowance is reduced 1/2% of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available. The Plan provides that the employer/employees contribute amounts necessary to fund the actuarially determined benefits. The Township makes employer contributions in accordance with funding requirements determined by MERS' actuary, until such time as the contributions exceed 9% of covered payroll whereon the Township is directed to make withholdings from salaries and wages of eligible employees and forward these to MERS. The MERS' actuary uses the entry age normal actuarial cost method.

The Township's pension cost for fiscal years ending December 31, 2005 and 2004 was \$137,400 and \$132,228, respectively. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age normal actuarial cost method.

CHARTER TOWNSHIP OF DELTA **NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION PLANS (Concluded)

Defined Benefit Plan (Concluded)

b. Funding Policy (Concluded)

The significant actuarial assumptions to be used to compute the actuarial accrued liabilities are as follows: (1) the entry age normal actuarial cost method of valuation was used in determining age and service benefit liabilities and normal cost; (2) an 8% rate of return on investment of present and future assets was used based on estimated long-term yield considering (a) the nature and mix of current and expected investments; and (b) the basis used to value those assets; (3) projected salary increases are based on 4.5% raises for merit, seniority, and inflation rate allowances. Benefits will not increase after retirement except that some participants will receive cost of living allowances. Unfunded accrued liabilities are amortized over a 34 year period reduced by one year until it reaches 30.

c. Trend Information

Year ending December 31,	Annual pension cost	Percentage of annual pension cost contributed	Net pension obligation
2003	\$ 128,856	100%	
2004	132,228	100%	
2005	137,400	100%	

d. Plan Membership

As of December 31 the Plan membership consisted of:

	2005	2004
Active employees	30	29
Inactive vested members	2	1
Retirees and beneficiaries currently receiving benefits	8	7
	<u>40</u>	<u>37</u>

CHARTER TOWNSHIP OF DELTA NOTES TO FINANCIAL STATEMENTS

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits and deferred compensation plan described in Note 8, the Township provides post employment health care benefits to all employees who retire from the Township with a minimum ten years of service based on the schedule of shared participation rates. The Township's share of costs ranges from 25% for those employees with ten years of service to 100% for those with 25 years of service. The expense the Township incurred, which is funded currently, was approximately \$78,383 for the year ending December 31, 2005 and \$50,456 for the year ending December 31, 2004.

The Government Accounting Standards Board has recently released Statement Number 45, *Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post employment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ended December 31, 2008.

During 2005 the Township made \$605,301 contribution to a trust fund for other post employment benefits.

NOTE 10 - LIMITED OBLIGATION BONDS - ECONOMIC DEVELOPMENT CORPORATION

The Corporation acts as a liaison between companies seeking financing and financial institutions in an effort to further the economic development of the Township. In performing this function, the corporation becomes a party in the financing agreements. The resulting debt of the developer is serviced directly by the financial institution. Under the bond agreements, the liability of the corporation upon the default of the debtor, is limited to the underlying value of the property. Under these arrangements, the corporation has no additional responsibility of repayment.

At December 31, 2005 and 2004, there was no outstanding value of the long-term financing bonds receivable and bonds payable incurred in the aforementioned manner.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The Township and its component unit are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township and its component unit carry commercial insurance to cover any losses that may result from the above described activities. No settlements have incurred in excess of coverage in 2005 or any of the prior three years.

CHARTER TOWNSHIP OF DELTA NOTES TO FINANCIAL STATEMENTS

NOTE 11 - COMMITMENTS AND CONTINGENCIES (Concluded)

There are various claims and legal actions pending against the Township, many of which are either partially or fully covered by insurance. The Township is defending against these actions. In the opinion of Township management, the ultimate amount of loss, if any, resulting from these claims and legal actions will not be material to the financial position of the Township.

NOTE 12 - NATURE AND PURPOSE OF RESERVATIONS AND DESIGNATIONS OF FUND BALANCE

Reservations in the enterprise fund represent amounts set aside for debt retirement and capital improvement. The amount of the reservation is based on the excess of restricted investments over related liabilities.

Designations in the general fund exist for compensated absences, roads, retiree health insurance, non-motorized transportation, and the manufacturing enhancement fund.

NOTE 13 - BUILDING DEPARTMENT

The Township records the results of building department operations in the general fund. In accordance with Michigan Public Act 245 of 1999, the Township is required to maintain an accounting system that separately accumulates revenues and expenditures related to the building department function. For the year ended December 31, 2005 building department revenues were \$1,068,779 and expenditures were \$1,105,076.

NOTE 14 - USE OF ESTIMATES

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 15 - SUBSEQUENT EVENT

Subsequent to the December 31, 2005 year-end, the Township issued limited tax general obligation bonds totaling \$6,500,000 to update the water system.

REQUIRED SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF DELTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2005

	Original budget	Final budget	Actual	Variance with final budget- positive (negative)
REVENUES:				
Taxes	\$ 7,049,813	\$7,166,813	\$7,164,970	\$ (1,843)
Licenses and permits	896,158	896,158	1,285,177	389,019
Charges for services	1,355,064	1,355,064	1,392,237	37,173
Investment income - net	340,000	340,000	411,750	71,750
Local grants	54,500	54,500	47,334	(7,166)
Other	411,304	411,304	390,249	(21,055)
State shared revenue	2,338,614	2,338,614	2,311,715	(26,899)
Federal grants	21,000	271,000	312,560	41,560
Total revenues	12,466,453	12,833,453	13,315,992	482,539
EXPENDITURES:				
Current:				
General government:				
Legislative - trustees	79,128	78,628	78,447	181
Manager	502,170	486,170	440,777	45,393
Assessing	385,970	385,970	368,119	17,851
Clerk	367,550	418,550	403,218	15,332
Treasurer	325,321	273,321	267,064	6,257
Computer	168,927	168,927	164,476	4,451
Township hall and grounds	356,630	356,630	327,776	28,854
General service administration	187,860	325,860	272,290	53,570
Cemetery	170,400	170,400	159,999	10,401
Planning	322,220	322,220	291,020	31,200
Total general government	2,866,176	2,986,676	2,773,186	213,490
Public safety:				
Law enforcement - police	2,432,800	2,357,800	2,340,588	17,212
Fire	2,234,576	2,484,076	2,400,504	83,572
Emergency operations center	13,950	14,450	7,111	7,339
Paramedics	1,726,820	1,726,820	1,605,433	121,387
Protective inspection	747,237	747,237	724,653	22,584
Total public safety	7,155,383	7,330,383	7,078,289	252,094

CHARTER TOWNSHIP OF DELTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2005

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
EXPENDITURES (Concluded):				
Current:				
Public works:				
Recycling	\$ 118,737	\$ 118,737	\$ 96,474	\$ 22,263
Drains	499,550	5,000,487	4,749,280	251,207
Streets and highways	366,000	372,000	371,029	971
Engineering	602,455	602,455	574,822	27,633
Street lighting	394,303	394,303	380,887	13,416
Total public works	<u>1,981,045</u>	<u>6,487,982</u>	<u>6,172,492</u>	<u>315,490</u>
Culture and recreation:				
Parks and recreation	<u>1,218,685</u>	<u>1,218,685</u>	<u>1,157,594</u>	<u>61,091</u>
Debt service	<u>81,564</u>	<u>248,755</u>	<u>248,755</u>	
Total expenditures	<u>13,302,853</u>	<u>18,272,481</u>	<u>17,430,316</u>	<u>842,165</u>
OTHER FINANCING SOURCES (USES):				
Drain assessments issued by Eaton County		1,668,128	1,668,128	
Interfund transfers in	1,184,320	1,235,320	936,891	(298,429)
Interfund transfers out	<u>(347,920)</u>	<u>(464,420)</u>	<u>(464,420)</u>	
Total other financing sources (uses)	<u>836,400</u>	<u>2,439,028</u>	<u>2,140,599</u>	<u>(298,429)</u>
Net change in fund balances	<u>\$</u>	<u>\$ (3,000,000)</u>	<u>(1,973,725)</u>	<u>\$ 1,026,275</u>
FUND BALANCE:				
Beginning of year			<u>12,316,028</u>	
End of year			<u>\$ 10,342,303</u>	

ADDITIONAL INFORMATION

**CHARTER TOWNSHIP OF DELTA
BUDGETARY COMPARISON SCHEDULE
PARAMEDIC SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2005**

	Original budgeted amounts	Final budgeted amounts	Actual	Variance with final budget- positive (negative)
REVENUES:				
Taxes and special assessments	\$ 1,206,469	\$ 1,206,469	\$ 1,206,111	\$ (358)
Investment income - net	10,000	10,000	45,687	35,687
 Total revenues	 1,216,469	 1,216,469	 1,251,798	 35,329
EXPENDITURES:				
Current:				
Public safety		179,435	179,435	
 Excess of revenues over expenditures		 1,037,034	 1,072,363	 35,329
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(1,076,820)	(1,076,820)	(809,154)	267,666
 Net change in fund balance	 <u>\$ 139,649</u>	 <u>\$ (39,786)</u>	 263,209	 <u>\$ 302,995</u>
FUND BALANCE, beginning of year			<u>789,325</u>	
FUND BALANCE, end of year			<u>\$ 1,052,534</u>	

CHARTER TOWNSHIP OF DELTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION PLAN FUNDING PROGRESS
FOR THE UNION FIREFIGHTERS RETIREMENT PLAN

The six year historical information required to be disclosed, beginning as of December 31, 1999, is as follows:

Actuarial valuation date	(1) Actuarial value of assets	(2) Actuarial accrued liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded ratio (1) / (2)	(5) Annual covered payroll	(6) UAAL as a % of payroll [(2) - (1)] / (5)
1999	\$ 3,317,863	\$ 3,421,228	103,365	96%	\$ 1,292,971	8%
2000	3,727,275	3,615,656	(111,619)	103%	1,324,567	-8%
2001	4,136,167	4,432,288	296,121	93%	1,444,712	20%
2002	4,297,469	4,918,682	621,213	87%	1,338,091	46%
2003	4,688,962	6,166,076	1,477,114	76%	1,470,816	100%
2004	5,004,212	6,844,052	1,839,840	73%	1,526,633	121%

CHARTER TOWNSHIP OF DELTA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF PENSION PLAN FUNDING PROGRESS
FOR THE UNION FIREFIGHTERS RETIREMENT PLAN

- A. The Actuarial Accrued Liability was determined as part of an actuarial valuation at December 31, 2004, the most recently filed actuarial valuation report.
- B. The report was based upon the plan's actuarial assumptions described in Note 8. The asset valuation method assumes the funds earn the expected rate of return (8%), and includes an adjustment to reflect market value. For the December 31, 2004 valuation, the actuarial asset value was 102.45% of market value (\$4,884,541).
- C. The amortization method used is level percent of payroll ranging from 30-38 years. The payroll is assumed to increase 4.5% a year for the purpose of determining the level percent contribution.

**CHARTER TOWNSHIP OF DELTA
GENERAL FUND
BALANCE SHEETS
DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
ASSETS		
ASSETS:		
Cash	\$ 1,576,938	\$ 947,999
Investments	11,630,819	14,297,569
Receivables:		
Accounts	413,907	433,677
Taxes	3,616,412	3,283,667
Interest	91,952	69,304
Due from other funds	69,988	50,292
Prepaid expenditures	<u>87,527</u>	<u>66,880</u>
TOTAL ASSETS	<u><u>\$ 17,487,543</u></u>	<u><u>\$ 19,149,388</u></u>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	\$ 175,398	\$ 122,675
Accrued salaries and related items	281,486	236,550
Due to other funds		6,249
Customer deposits	120,921	115,309
Deferred revenue	<u>6,567,435</u>	<u>6,352,577</u>
TOTAL LIABILITIES	<u>7,145,240</u>	<u>6,833,360</u>
FUND BALANCE:		
Reserved for prepaid expenditures	87,527	66,880
Designated:		
Compensated absences	805,047	808,862
Roads	1,200,000	1,000,000
Drains		3,000,000
Retiree health insurance	750,000	250,000
Non-motorized transportation	300,000	300,000
MEF	190,000	190,000
Unreserved-undesignated	<u>7,009,729</u>	<u>6,700,286</u>
TOTAL FUND BALANCE	<u>10,342,303</u>	<u>12,316,028</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 17,487,543</u></u>	<u><u>\$ 19,149,388</u></u>

**CHARTER TOWNSHIP OF DELTA
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2005 AND 2004**

	2005	2004
REVENUES:		
Taxes	\$ 7,164,970	\$ 6,785,863
Licenses and permits	1,285,177	1,190,163
Charges for services	1,392,237	1,408,417
Investment income - net	411,750	282,370
Local grants	47,334	64,875
Other	390,249	420,580
State shared revenue	2,311,715	2,287,885
Federal grants	312,560	107,939
Total revenues	<u>13,315,992</u>	<u>12,548,092</u>
EXPENDITURES:		
Current:		
General government:		
Legislative - trustees	78,447	45,874
Manager	440,777	487,036
Assessing	368,119	354,529
Clerk	403,218	422,561
Treasurer	267,064	298,158
Computer	164,476	183,893
Township hall and grounds	327,776	336,705
General service administration	272,290	1,279,292
Cemetery	159,999	152,924
Planning	291,020	296,794
Total general government	<u>2,773,186</u>	<u>3,857,766</u>
Public safety:		
Law enforcement - police	2,340,588	2,279,441
Fire	2,400,504	2,154,694
Emergency operations center	7,111	8,168
Paramedics	1,605,433	1,648,057
Protective inspection	724,653	705,128
Total public safety	<u>7,078,289</u>	<u>6,795,488</u>

**CHARTER TOWNSHIP OF DELTA
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
EXPENDITURES (Concluded):		
Current:		
Public works:		
Recycling	\$ 96,474	\$ 96,585
Drains	4,749,280	168,301
Streets and highways	371,029	112,061
Engineering	574,822	551,182
Street lighting	380,887	364,249
Total public works	<u>6,172,492</u>	<u>1,292,378</u>
Culture and recreation:		
Parks and recreation	<u>1,157,594</u>	<u>1,157,374</u>
Debt service	<u>248,755</u>	<u>236,407</u>
Total expenditures	<u>17,430,316</u>	<u>13,339,413</u>
OTHER FINANCING SOURCES (USES):		
Drain assessments issued by Eaton County	1,668,128	24,941
Interfund transfers from other funds	936,891	1,081,482
Interfund transfers to other funds	<u>(464,420)</u>	<u>(419,430)</u>
Total other financing sources (uses)	<u>2,140,599</u>	<u>686,993</u>
Net change in fund balance	(1,973,725)	(104,328)
FUND BALANCE:		
Beginning of year	<u>12,316,028</u>	<u>12,420,356</u>
End of year	<u><u>\$ 10,342,303</u></u>	<u><u>\$ 12,316,028</u></u>

**CHARTER TOWNSHIP OF DELTA
2001 GENERAL OBLIGATION DEBT
SCHEDULE OF BOND AND INTEREST PAYMENT REQUIREMENTS
DECEMBER 31, 2005**

<u>Interest rate</u>	<u>Due April 1</u>	<u>Principal</u>	<u>Interest</u>		<u>Total payment requirements</u>
			<u>April 1</u>	<u>October 1</u>	
2.50	2006	\$ 750,000	\$ 30,625	\$ 21,250	\$ 801,875
2.50	2007	800,000	21,250	11,250	832,500
2.50	2008	900,000	11,250		911,250
		<u>\$ 2,450,000</u>	<u>\$ 63,125</u>	<u>\$ 32,500</u>	<u>\$ 2,545,625</u>

NOTE: General obligation debt bonds dated September 18, 2001 were issued to provide funds for the construction of the central fire station under the provisions of Public Act 94. Original debt of \$4,990,000.

**CHARTER TOWNSHIP OF DELTA
SCHEDULE OF INSTALLMENT NOTE PAYABLE
YEAR ENDED DECEMBER 31, 2005**

	Fire Truck
	<hr/>
2006	\$ 78,508
2007	<hr/> 265,410
	343,918
Less interest	<hr/> 27,336
	<hr/> \$ 316,582 <hr/>

CHARTER TOWNSHIP OF DELTA
SCHEDULE OF GENERAL ASSESSMENT PAYABLE
DECEMBER 31, 2005

	Lazell	Waldo & Branches	Armstrong Hills	Clements/ Underhill	Meyers & Henderson	Edwards	Whitney	Carrier Creek	Total
2006	\$ 58,661	\$ 3,322	\$ 1,721	\$ 24,779	\$ 68,415	\$ 2,885	\$ 3,608	\$ 87,059	\$ 250,450
2007	56,488	3,193	1,647	24,040	64,363	2,798	6,261	160,569	319,359
2008	54,315	3,063	1,574			2,710	6,071	156,349	224,082
2009	52,142	2,934				2,623	5,881	152,129	215,709
2010	49,970	2,804				2,537	5,691	148,595	209,597
2011	47,797	2,675				2,448	5,501	143,688	202,109
2012	45,624	2,545				2,361	5,311	139,468	195,309
2013	43,451	2,416				2,274	5,121	135,248	188,510
2014	41,279	2,287				2,187	4,931	131,028	181,712
2015						2,099	4,740	126,808	133,647
2016						2,012	4,550	122,587	129,149
2017						1,924	4,360	118,367	124,651
2018						1,837	4,170	114,147	120,154
2019						1,750	3,980	109,927	115,657
2020							3,790	105,706	109,496
2021								101,486	101,486
2022								97,266	97,266
2023								93,046	93,046
2024								88,826	88,826
2025								84,605	84,605
	449,727	25,239	4,942	48,819	132,778	32,445	73,966	2,416,904	3,184,820
Less interest	97,774	5,823	442		14,404	9,167	19,966	802,776	950,352
	<u>\$ 351,953</u>	<u>\$ 19,416</u>	<u>\$ 4,500</u>	<u>\$ 48,819</u>	<u>\$ 118,374</u>	<u>\$ 23,278</u>	<u>\$ 54,000</u>	<u>\$ 1,614,128</u>	<u>\$ 2,234,468</u>

Note: Drains at large consists of drains installed by Eaton County Drain Commission in which the State of Michigan, homeowner, Delta Township, and the Eaton County Drain Commission share the cost of installment. Delta Township is assessed yearly for their share of the cost plus interest on the outstanding balance. Interest rates charged to the different projects range from 4.90% to 7.02%.

**CHARTER TOWNSHIP OF DELTA
PARAMEDIC FUND
BALANCE SHEETS
DECEMBER 31, 2005 AND 2004**

ASSETS	<u>2005</u>	<u>2004</u>
ASSETS:		
Cash	\$ 124,728	\$ 48,811
Investments	920,968	737,132
Receivables:		
Taxes	1,251,733	1,206,156
Interest	<u>6,837</u>	<u>3,382</u>
TOTAL ASSETS	<u><u>\$ 2,304,266</u></u>	<u><u>\$ 1,995,481</u></u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Deferred revenue	\$ 1,251,732	\$ 1,206,156
FUND BALANCES:		
Unreserved, undesignated	<u>1,052,534</u>	<u>789,325</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,304,266</u></u>	<u><u>\$ 1,995,481</u></u>

**CHARTER TOWNSHIP OF DELTA
PARAMEDIC FUND
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2005 AND 2004**

	2005	2004
REVENUES:		
Taxes and special assessments	\$ 1,206,111	\$ 1,161,232
Investment income - net	45,687	15,994
	<hr/>	<hr/>
Total revenues	1,251,798	1,177,226
EXPENDITURES:		
Current:		
Public safety	179,435	
	<hr/>	<hr/>
Excess of revenues over expenditures	1,072,363	1,177,226
	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):		
Operating transfers out	(809,154)	(946,702)
	<hr/>	<hr/>
Net change in fund balance	263,209	230,524
FUND BALANCE, beginning of year	789,325	558,801
	<hr/>	<hr/>
FUND BALANCE, end of year	\$ 1,052,534	\$ 789,325
	<hr/> <hr/>	<hr/> <hr/>

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted for particular purposes.

Improvement Revolving Fund - The general fund transfers amounts annually to the fund which may only be utilized for capital improvements. This fund is utilized pursuant to Michigan law.

Budget Stabilization Fund - This fund is established to maintain funds the Township may need in times of budget short fall. This fund is established and limited pursuant to Michigan law.

Library Fund - The library fund is established to operate the Township library. The fund is a blended component unit.

Capital Projects Fund

Capital Projects Fund - This fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Debt Service Fund

Debt Service Fund - The Township maintains a debt service fund to account for resources accumulated and payments made related to debt related to the Central Fire Station.

Permanent Fund

Cemetery Perpetual Care Fund - This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

**CHARTER TOWNSHIP OF DELTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

				<u>Permanent fund</u>	
	<u>Special revenue</u>	<u>Capital projects</u>	<u>Debt service</u>	<u>Cemetery perpetual care fund</u>	<u>Total nonmajor governmental funds</u>
ASSETS					
ASSETS:					
Cash	\$ 207,759	\$ 20,111	\$ 246,341	\$ 21,224	\$ 495,435
Investments	1,536,238	148,494		156,707	1,841,439
Receivables:					
Taxes			758,923		758,923
Interest	8,459	1,102		1,163	10,724
Prepaid expenditures	8,000				8,000
TOTAL ASSETS	<u>\$ 1,760,456</u>	<u>\$ 169,707</u>	<u>\$ 1,005,264</u>	<u>\$ 179,094</u>	<u>\$ 3,114,521</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 13,103	\$	\$	\$	\$ 13,103
Accrued salaries and related items	736				736
Due to other funds	9,910				9,910
Deferred revenue			758,923		758,923
TOTAL LIABILITIES	<u>23,749</u>		<u>758,923</u>		<u>782,672</u>
FUND BALANCES:					
Reserved for prepaid expenditures	8,000				8,000
Reserved for debt service			246,341		246,341
Reserved for perpetual care				179,094	179,094
Designated:					
Compensated absences	15,484				15,484
Unreserved, undesignated	1,713,223	169,707			1,882,930
TOTAL FUND BALANCES	<u>1,736,707</u>	<u>169,707</u>	<u>246,341</u>	<u>179,094</u>	<u>2,331,849</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,760,456</u>	<u>\$ 169,707</u>	<u>\$ 1,005,264</u>	<u>\$ 179,094</u>	<u>\$ 3,114,521</u>

**CHARTER TOWNSHIP OF DELTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2005**

	<u>Special revenue</u>	<u>Capital projects</u>	<u>Debt service</u>	<u>Permanent fund Cemetery perpetual care fund</u>	<u>Total nonmajor governmental funds</u>
REVENUES:					
Local sources:					
Property taxes	\$	\$	\$ 755,629	\$	\$ 755,629
Investment earnings	31,537	4,180	6,301	4,237	46,255
Charges for services	152,233				152,233
Other	25,038			12,908	37,946
Total local sources	208,808	4,180	761,930	17,145	992,063
State sources	26,138				26,138
Total revenues	234,946	4,180	761,930	17,145	1,018,201
EXPENDITURES:					
Current:					
Culture and recreation	562,192				562,192
Debt service:					
Principal repayment			700,000		700,000
Interest expense			70,275		70,275
Capital outlay		13,625			13,625
Total expenditures	562,192	13,625	770,275		1,346,092
EXCESS OF REVENUES OVER EXPENDITURES	(327,246)	(9,445)	(8,345)	17,145	(327,891)
OTHER FINANCING SOURCES (USES):					
Interfund transfers from other funds	464,420				464,420
Interfund transfers to other funds	(123,500)			(4,237)	(127,737)
Total other financing sources (uses)	340,920			(4,237)	336,683
Net change in fund balances	13,674	(9,445)	(8,345)	12,908	8,792
FUND BALANCES:					
Beginning of year	1,723,033	179,152	254,686	166,186	2,323,057
End of year	\$ 1,736,707	\$ 169,707	\$ 246,341	\$ 179,094	\$ 2,331,849

**CHARTER TOWNSHIP OF DELTA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2005
(with comparative totals for December 31, 2004)**

ASSETS	Improvement revolving fund	Budget stabilization fund	Library fund	Totals	
				2005	2004
Cash	\$ 134,782	\$ 53,326	\$ 19,651	\$ 207,759	\$ 107,329
Investments	995,204	396,674	144,360	1,536,238	1,621,269
Receivables:					
Interest	7,388		1,071	8,459	5,500
Due from other funds					6,249
Prepaid expenditures			8,000	8,000	
TOTAL ASSETS	<u>\$ 1,137,374</u>	<u>\$ 450,000</u>	<u>\$ 173,082</u>	<u>\$ 1,760,456</u>	<u>\$ 1,740,347</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$	\$	\$ 13,103	\$ 13,103	\$ 16,701
Accrued salaries and related items			736	736	613
Due to other funds			9,910	9,910	
Total liabilities			<u>23,749</u>	<u>23,749</u>	<u>17,314</u>
Fund balances:					
Reserved for prepaid expenditures			8,000	8,000	
Designated:					
Compensated absences			15,484	15,484	16,039
Subsequent years expenditures					15,000
Unreserved, undesignated	<u>1,137,374</u>	<u>450,000</u>	<u>125,849</u>	<u>1,713,223</u>	<u>1,691,994</u>
Total fund balances	<u>1,137,374</u>	<u>450,000</u>	<u>149,333</u>	<u>1,736,707</u>	<u>1,723,033</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,137,374</u>	<u>\$ 450,000</u>	<u>\$ 173,082</u>	<u>\$ 1,760,456</u>	<u>\$ 1,740,347</u>

CHARTER TOWNSHIP OF DELTA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2005
(with comparative totals for the year ended December 31, 2004)

	Improvement revolving fund	Budget stabilization fund	Library fund	Totals	
				2005	2004
REVENUES:					
State aid	\$	\$	\$ 26,138	\$ 26,138	\$ 26,228
Charges for services			152,233	152,233	141,612
Investment income - net	27,734		3,803	31,537	18,353
Other			25,038	25,038	27,337
Total revenues	27,734		207,212	234,946	213,530
EXPENDITURES:					
Current:					
Culture and recreation			562,192	562,192	537,270
Excess (deficiency) of revenues over expenditures	27,734		(354,980)	(327,246)	(323,740)
OTHER FINANCING SOURCES (USES):					
Interfund transfers from other funds	116,500		347,920	464,420	95,500
Interfund transfers to other funds	(123,500)			(123,500)	(132,500)
Total other financing sources (uses)	(7,000)		347,920	340,920	(37,000)
Net change in fund balances	20,734		(7,060)	13,674	(360,740)
FUND BALANCES, beginning of year	1,116,640	450,000	156,393	1,723,033	2,083,773
FUND BALANCES, end of year	\$ 1,137,374	\$ 450,000	\$ 149,333	\$ 1,736,707	\$ 1,723,033

**CHARTER TOWNSHIP OF DELTA
BUDGETARY COMPARISION SCHEDULE
IMPROVEMENT REVOLVING SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2005**

	Original budgeted amounts	Final budgeted amounts	Actual	Variance with final budget- positive (negative)
REVENUES:				
Investment income - net	\$ 15,000	\$ 15,000	\$ 27,734	\$ 12,734
OTHER FINANCING SOURCES (USES):				
Operating transfers in	116,500	116,500	116,500	
Operating transfers out	(102,500)	(153,500)	(123,500)	30,000
Total other financing sources (uses)	14,000	(37,000)	(7,000)	30,000
Net change in fund balance	<u>\$ 29,000</u>	<u>\$ (22,000)</u>	20,734	<u>\$ 42,734</u>
FUND BALANCE, beginning of year			<u>1,116,640</u>	
FUND BALANCE, end of year			<u><u>\$ 1,137,374</u></u>	

**CHARTER TOWNSHIP OF DELTA
BUDGETARY COMPARISON SCHEDULE
LIBRARY SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2005**

	Original budgeted amounts	Final budgeted amounts	Actual	Variance with final budget- positive (negative)
REVENUES:				
State aid	\$ 26,000	\$ 26,000	\$ 26,138	\$ 138
Charges for services	150,100	150,100	152,233	2,133
Investment income - net	1,000	1,000	3,803	2,803
Other	4,000	22,760	25,038	2,278
Total revenues	181,100	199,860	207,212	7,352
EXPENDITURES:				
Current:				
Culture and recreation	544,020	562,780	562,192	588
Excess (deficiency) of revenues over expenditures	(362,920)	(362,920)	(354,980)	6,764
OTHER FINANCING SOURCES (USES):				
Operating transfers in	347,920	347,920	347,920	
Net change in fund balance	<u>\$ (15,000)</u>	<u>\$ (15,000)</u>	(7,060)	<u>\$ 6,764</u>
FUND BALANCE, beginning of year			<u>156,393</u>	
FUND BALANCE, end of year			<u>\$ 149,333</u>	

**CHARTER TOWNSHIP OF DELTA
CAPITAL PROJECTS FUND
BALANCE SHEETS
DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash	\$ 20,111	\$ 11,079
Investments	148,494	167,306
Interest receivable	<u>1,102</u>	<u>767</u>
	<u><u>\$ 169,707</u></u>	<u><u>\$ 179,152</u></u>
 FUND BALANCE		
 FUND BALANCE:		
Undesignated	<u><u>\$ 169,707</u></u>	<u><u>\$ 179,152</u></u>

**CHARTER TOWNSHIP OF DELTA
CAPITAL PROJECTS FUND
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
REVENUES:		
Investment income-net	\$ 4,180	\$ 2,615
EXPENDITURES:		
Capital outlay	<u>13,625</u>	<u>2,274</u>
Net change in fund balance	(9,445)	341
FUND BALANCE, beginning of year	<u>179,152</u>	<u>178,811</u>
FUND BALANCE, end of year	<u><u>\$ 169,707</u></u>	<u><u>\$ 179,152</u></u>

**CHARTER TOWNSHIP OF DELTA
DEBT SERVICE FUND
CENTRAL FIRE STATION
BALANCE SHEETS
DECEMBER 31, 2005 AND 2004**

ASSETS	<u>2005</u>	<u>2004</u>
Cash	\$ 246,341	\$ 254,686
Taxes receivable	<u>758,923</u>	<u>755,657</u>
	<u><u>\$ 1,005,264</u></u>	<u><u>\$ 1,010,343</u></u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Deferred revenue	\$ 758,923	\$ 755,657
 FUND BALANCE		
Reserved for debt service	<u>246,341</u>	<u>254,686</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 1,005,264</u></u>	 <u><u>\$ 1,010,343</u></u>

**CHARTER TOWNSHIP OF DELTA
DEBT SERVICE FUND
CENTRAL FIRE STATION
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
REVENUE:		
Taxes	\$ 755,629	\$ 762,719
Investment income-net	<u>6,301</u>	<u>3,698</u>
Total revenue	<u>761,930</u>	<u>766,417</u>
EXPENDITURES:		
Principal payments on debt	700,000	650,000
Interest and fiscal charges	<u>70,275</u>	<u>93,000</u>
Total expenditures	<u>770,275</u>	<u>743,000</u>
Net change in fund balance	(8,345)	23,417
FUND BALANCE, beginning of year	<u>254,686</u>	<u>231,269</u>
FUND BALANCE, end of year	<u><u>\$ 246,341</u></u>	<u><u>\$ 254,686</u></u>

**CHARTER TOWNSHIP OF DELTA
SEWER FUND
BALANCE SHEETS
DECEMBER 31, 2005 AND 2004**

ASSETS	<u>2005</u>	<u>2004</u>
CURRENT ASSETS:		
Cash	\$ 1,402,818	\$ 4,462,606
Investments	6,366,845	4,909,253
Receivables:		
Interest	76,894	57,079
Special assessment-current	50,735	34,246
Special assessment-interest	9,227	9,845
Other	<u>5,234</u>	<u>11,516</u>
TOTAL CURRENT ASSETS	<u>7,911,753</u>	<u>9,484,545</u>
NONCURRENT ASSETS:		
Investments:		
Replacement account-restricted	3,990,891	3,896,170
Deferred charges:		
Tap in charges - deferred	265,023	315,660
Unamortized bond issuance costs	41,418	45,184
Special assessment-deferred	<u>45,181</u>	<u>61,149</u>
TOTAL NONCURRENT ASSETS	<u>4,342,513</u>	<u>4,318,163</u>
PROPERTY, PLANT, AND EQUIPMENT, net of		
accumulated depreciation	<u>33,593,844</u>	<u>32,274,537</u>
	<u><u>\$ 45,848,110</u></u>	<u><u>\$ 46,077,245</u></u>

LIABILITIES AND NET ASSETS	2005	2004
CURRENT LIABILITIES:		
Accounts payable	\$ 57,364	\$ 32,395
Accrued payroll taxes	6,558	6,048
Accrued interest	16,090	16,625
Customer deposits	68,393	86,156
Current portion of long-term liabilities	210,545	160,475
Current portion of compensated absences	162,447	153,799
Due to other funds	43,066	35,994
TOTAL CURRENT LIABILITIES	564,463	491,492
LONG-TERM LIABILITIES, net of current portion:		
Compensated absences	96,193	95,381
Other long-term debt	509,106	
Unamortized bond premiums	95,806	104,515
General obligation bonds payable	2,252,775	2,436,525
TOTAL LONG-TERM LIABILITIES	2,953,880	2,636,421
TOTAL LIABILITIES	3,518,343	3,127,913
NET ASSETS:		
Invested in capital assets net of related debt	30,567,030	29,618,206
Restricted for capital outlay	3,990,891	3,896,170
Unrestricted	7,771,846	9,434,956
TOTAL NET ASSETS	42,329,767	42,949,332
	\$ 45,848,110	\$ 46,077,245

**CHARTER TOWNSHIP OF DELTA
SEWER FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES:		
Charges for services	\$ 2,991,110	\$ 2,603,353
Capital charges	227,897	356,908
Forfeited discounts	40,265	31,602
Other	<u>10,041</u>	<u>13,147</u>
Total operating revenues	3,269,313	3,005,010
OPERATING EXPENSES:		
Costs of sales and services	3,294,012	2,812,037
Depreciation	<u>1,759,163</u>	<u>1,675,437</u>
Total operating expenses	<u>5,053,175</u>	<u>4,487,474</u>
Operating loss	<u>(1,783,862)</u>	<u>(1,482,464)</u>
NON-OPERATING REVENUES (EXPENSES):		
Contributions-infrastructure	739,964	1,054,725
Main charges	171,914	18,802
Investment income - net	345,144	217,237
Interest and fiscal charges	(97,670)	(100,882)
Bond issuance cost	(3,765)	(3,765)
Bond premium	<u>8,710</u>	<u>8,710</u>
Total non-operating revenues - net	<u>1,164,297</u>	<u>1,194,827</u>
Net loss	(619,565)	(287,637)
NET ASSETS, beginning of year	<u>42,949,332</u>	<u>43,236,969</u>
NET ASSETS, end of year	<u><u>\$ 42,329,767</u></u>	<u><u>\$ 42,949,332</u></u>

**CHARTER TOWNSHIP OF DELTA
SEWER FUND
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005 AND 2004**

	2005	2004
INCREASE (DECREASE) IN CASH:		
Cash flows from operating activities:		
Operating loss	\$ (1,783,862)	\$ (1,482,464)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	1,759,163	1,675,437
Prepaid insurance		14,959
Due to/from other funds - net	7,072	2,818,426
Accounts payable	25,478	(229,350)
Accrued compensated absences	9,460	2,828
Customer deposits	(17,763)	
Contract retainers payable		(48,353)
Total adjustments	1,783,410	4,233,947
Net cash provided (used) by operating activities	(452)	2,751,483
Cash flows from non-capital financing activities:		
Contributions	739,964	1,054,725
Main and tap in charges	222,551	(47,143)
Net cash provided by non-capital financing activities	962,515	1,007,582
Cash flows for capital and related financing activities:		
Principal repayments on debt	(160,475)	(165,375)
Net interest earned (paid) on bonds	(98,205)	(101,433)
Payments for capital acquisitions	(3,078,467)	(2,648,545)
Proceeds from special assessments	5,761	25,770
Interest received from special assessments	35,898	30,298
Proceeds from flowage rights	535,901	
Net cash used by capital and related financing activities	(2,759,587)	(2,859,285)
Cash flows from investing activities:		
Interest received from investments	290,049	172,158
Purchase/proceeds of investments	(1,552,313)	222,125
Net cash provided (used) by investing activities	(1,262,264)	394,283
NET INCREASE (DECREASE) IN CASH	(3,059,788)	1,294,063
CASH:		
Beginning of year	4,462,606	3,168,543
End of year	\$ 1,402,818	\$ 4,462,606

CHARTER TOWNSHIP OF DELTA
SEWER FUND
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Salaries and wages	\$ 1,252,597	\$ 1,085,110
Payroll taxes	95,733	82,608
Employee fringe benefits	559,113	269,468
Pension expense	137,181	123,778
Office supplies	11,707	34,461
Chemicals	158,972	136,344
Supplies	35,158	29,217
Maintenance of plant	68,477	44,019
Maintenance of equipment	174,605	195,829
Accounting and auditing	153,254	142,686
Administrative fees	100,000	100,000
Contracted services	38,469	72,110
Engineering	29,009	38,068
Collection fees	536	551
Telephone	9,324	9,049
Transportation	26,325	14,825
Insurance	230,278	210,159
Utilities	203,173	195,368
Miscellaneous	<u>10,101</u>	<u>28,387</u>
	<u>\$ 3,294,012</u>	<u>\$ 2,812,037</u>

**CHARTER TOWNSHIP OF DELTA
SEWER FUND
SCHEDULE OF GENERAL OBLIGATION LIMITED TAX BOND
AND INTEREST PAYMENT REQUIREMENTS
DECEMBER 31, 2005**

Delta Township Bonds
General Obligation Limited Tax Bonds

Year	Interest rate	Principal due May 1	Interest May 1	Interest November 1	Total	Total principal and interest requirements
2006	2.125 %	\$ 183,750	\$ 48,270	\$ 46,317	\$ 94,587	\$ 278,337
2007	2.500 %	180,075	46,317	44,066	90,383	270,458
2008	3.000 %	178,850	44,066	41,384	85,450	264,300
2009	3.250 %	203,350	41,384	38,079	79,463	282,813
2010	3.500 %	200,900	38,079	34,563	72,642	273,542
2011	3.750 %	225,400	34,563	30,337	64,900	290,300
2012	3.875 %	225,400	30,337	25,970	56,307	281,707
2013	5.000 %	248,675	25,970	19,753	45,723	294,398
2014	5.000 %	252,350	19,753	13,444	33,197	285,547
2015	5.000 %	268,275	13,444	6,738	20,182	288,457
2016	5.000 %	269,500	6,738		6,738	276,238
		<u>\$ 2,436,525</u>	<u>\$ 348,921</u>	<u>\$ 300,651</u>	<u>\$ 649,572</u>	<u>\$ 3,086,097</u>

NOTE: The general obligation limited tax bonds were issued by the Charter Township of Delta on April 24, 2003 for the purpose of construction of sewer projects. Original amount was \$2,762,375.

**CHARTER TOWNSHIP OF DELTA
SEWER FUND
SCHEDULE OF GENERAL ASSESSMENT PAYABLE
DECEMBER 31, 2005**

	<u>Carrier Creek</u>
2006	\$ 26,878
2007	53,523
2008	52,116
2009	50,710
2010	49,532
2011	47,896
2012	46,489
2013	45,083
2014	43,676
2015	42,269
2016	40,862
2017	39,456
2018	38,049
2019	36,642
2020	35,235
2021	33,829
2022	32,422
2023	31,015
2024	29,609
2025	<u>28,202</u>
	803,493
Less interest	<u>267,592</u>
	<u><u>\$ 535,901</u></u>

NOTE: Drains at large consists of drains installed by Eaton County Drain Commission in which the State of Michigan, homeowner, Delta Township, and the Eaton County Drain Commission share the cost of installment. Delta Township is assessed yearly for their share of the cost plus interest on the outstanding balance. Interest rates charged to the different projects range from 5.25%. This is the Sewer Fund's share of Carrier Creek project.

**CHARTER TOWNSHIP OF DELTA
WATER FUND
BALANCE SHEETS
DECEMBER 31, 2005 AND 2004**

ASSETS	<u>2005</u>	<u>2004</u>
CURRENT ASSETS:		
Cash	\$ 782,480	\$ 377,762
Investments	5,861,178	5,814,808
Receivables:		
Customer accounts	555,312	465,767
Interest	54,823	33,953
Special assessment - current	65,814	65,258
Special assessment - interest	16,851	17,586
Other	88,098	107,661
Current portion of long-term receivable	<u>13,697</u>	<u>10,058</u>
TOTAL CURRENT ASSETS	<u>7,438,253</u>	<u>6,892,853</u>
NONCURRENT ASSETS:		
Investments:		
Replacement account	1,741,208	1,699,881
Deferred charges:		
Water tap charges - deferred	180,846	187,676
Unamortized bond issuance costs	360,149	391,235
Special assessments - deferred	421,778	495,704
Long-term receivable	<u>459,955</u>	<u>473,652</u>
TOTAL NONCURRENT ASSETS	<u>3,163,936</u>	<u>3,248,148</u>
PROPERTY, PLANT AND EQUIPMENT,		
less accumulated depreciation	<u>23,931,154</u>	<u>23,119,104</u>
	<u>\$ 34,533,343</u>	<u>\$ 33,260,105</u>

LIABILITIES AND NET ASSETS	2005	2004
CURRENT LIABILITIES:		
Accounts payable	\$ 36,765	\$ 84,380
Accrued payroll, taxes and withholdings	1,272	1,094
Accrued interest	83,227	85,921
Customer deposits	66,869	44,147
Current portion of long-term liabilities	691,250	619,525
Current portion of compensated absences	21,038	18,133
Contract retainers payable	4,212	
Due to other funds	17,012	14,298
TOTAL CURRENT LIABILITIES	921,645	867,498
LONG-TERM LIABILITIES, net of current portion:		
Compensated absences	17,129	13,966
Unamortized bond premiums	295,287	322,131
Revenue bonds payable	3,475,000	3,600,000
General obligation bonds payable	6,942,225	7,508,475
TOTAL LONG-TERM LIABILITIES	10,729,641	11,444,572
TOTAL LIABILITIES	11,651,286	12,312,070
NET ASSETS:		
Invested in capital assets net of related debt	12,887,541	11,460,208
Unreserved	9,994,516	9,487,827
TOTAL NET ASSETS	22,882,057	20,948,035
	\$ 34,533,343	\$ 33,260,105

**CHARTER TOWNSHIP OF DELTA
WATER FUND
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES:		
Charges for services	\$ 3,572,919	\$ 3,171,067
Capital charges	239,901	258,015
Hydrant rental	125,720	123,200
Forfeited discounts	44,547	36,567
Other service charges	151,037	157,085
Other	<u>24,173</u>	<u>32,682</u>
Total operating revenues	<u>4,158,297</u>	<u>3,778,616</u>
OPERATING EXPENSES:		
Costs of sales and services	2,589,413	2,324,247
Depreciation	<u>646,250</u>	<u>613,431</u>
Total operating expenses	<u>3,235,663</u>	<u>2,937,678</u>
Operating income	<u>922,634</u>	<u>840,938</u>
NON-OPERATING REVENUES (EXPENSES):		
Contributions-infrastructure	1,194,678	1,299,979
Main charges	45,217	66,007
Investment income - net	283,811	211,661
Interest and fiscal charges	(508,076)	(522,133)
Bond issuance cost	(31,086)	(31,086)
Bond premium	<u>26,844</u>	<u>26,844</u>
Total non-operating revenues - net	<u>1,011,388</u>	<u>1,051,272</u>
Net income	1,934,022	1,892,210
NET ASSETS, beginning of year	<u>20,948,035</u>	<u>19,055,825</u>
NET ASSETS, end of year	<u><u>\$ 22,882,057</u></u>	<u><u>\$ 20,948,035</u></u>

**CHARTER TOWNSHIP OF DELTA
WATER FUND
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005 AND 2004**

	2005	2004
INCREASE (DECREASE) IN CASH:		
Cash flows from operating activities:		
Operating income	\$ 922,634	\$ 840,938
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	646,250	613,431
Gain on disposal of fixed assets	(780)	
Receivables	(59,924)	12,058
Prepaid insurance		7,842
Due to/from other funds - net	2,714	(2,777,869)
Accounts payable	(47,437)	68,486
Accrued compensated absences	6,068	3,318
Customer deposits	22,722	(3,847)
Contract retainers payable	4,212	(28,372)
Total adjustments	573,825	(2,104,953)
Net cash provided (used) by operating activities	1,496,459	(1,264,015)
Cash flows from non-capital financing activities:		
Contributions	1,194,678	1,299,979
Main and tap in charges	52,047	44,661
Net cash provided by non-capital financing activities	1,246,725	1,344,640
Cash flows from capital and related financing activities:		
Principal repayments on debt	(619,525)	(584,625)
Net interest earned (paid) on bonds	(510,770)	(524,455)
Payments for capital acquisitions	(1,458,300)	(1,491,901)
Proceeds from special assessments	73,370	149,404
Interest received from special assessments	61,585	70,747
Proceeds from sale of fixed assets	780	
Net cash used by capital and related financing activities	(2,452,860)	(2,380,830)
Cash flows from investing activities:		
Interest received from investments	202,091	145,720
Proceeds (purchase) of investments	(87,697)	1,598,230
Net cash provided by investing activities	114,394	1,743,950
NET INCREASE (DECREASE) IN CASH	404,718	(556,255)
CASH:		
Beginning of year	377,762	934,017
End of year	\$ 782,480	\$ 377,762

**CHARTER TOWNSHIP OF DELTA
WATER FUND
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2005 AND 2004**

	2005	2004
Salaries and wages	\$ 397,976	\$ 402,542
Payroll taxes	30,045	30,816
Employee fringe benefits	233,676	111,334
Pension expense	43,464	43,985
Office supplies	8,728	11,692
Supplies	153,415	161,327
Water purchases	1,051,731	950,028
Maintenance of plant	67,689	66,952
Maintenance of equipment	46,372	35,446
Transportation	17,210	14,327
Administrative	100,000	100,000
Accounting and auditing	149,379	139,229
Contracted services	143,927	110,806
Engineering	61,870	54,566
Collection fees	199	198
Telephone	9,458	8,285
Insurance	27,995	39,587
Utilities	26,808	19,426
Miscellaneous	19,471	23,701
	<u>\$ 2,589,413</u>	<u>\$ 2,324,247</u>

CHARTER TOWNSHIP OF DELTA
WATER FUND
SCHEDULE OF GENERAL OBLIGATION LIMITED TAX BOND
AND INTEREST PAYMENT REQUIREMENTS
DECEMBER 31, 2005

Charter Township of Delta Bonds
General Obligation Limited Tax Bonds

Year	Interest rate	Principal due May 1	Interest May 1	Interest November 1	Total	Total principal and interest requirements
2006	2.125 %	\$ 566,250	\$ 148,749	\$ 142,733	\$ 291,482	\$ 857,732
2007	2.500 %	554,925	142,733	135,796	278,529	833,454
2008	3.000 %	551,150	135,796	127,529	263,325	814,475
2009	3.250 %	626,650	127,529	117,346	244,875	871,525
2010	3.500 %	619,100	117,346	106,512	223,858	842,958
2011	3.750 %	694,600	106,512	93,488	200,000	894,600
2012	3.875 %	694,600	93,488	80,030	173,518	868,118
2013	5.000 %	766,325	80,030	60,872	140,902	907,227
2014	5.000 %	777,650	60,872	41,431	102,303	879,953
2015	5.000 %	826,725	41,431	20,763	62,194	888,919
2016	5.000 %	830,500	20,763		20,763	851,263
		<u>\$ 7,508,475</u>	<u>\$ 1,075,249</u>	<u>\$ 926,500</u>	<u>\$ 2,001,749</u>	<u>\$ 9,510,224</u>

NOTE: The general obligation limited tax bonds were issued by Charter Township of Delta on April 24, 2003 for the purpose of refinancing the bonds Eaton County issued on behalf of the Township. The excess proceeds, after refinancing, was used for water construction projects. Original amount was \$8,512,625.

CHARTER TOWNSHIP OF DELTA
WATER FUND
SCHEDULE OF BOND AND INTEREST PAYMENT REQUIREMENTS
DECEMBER 31, 2005

Michigan Municipal Bond Authority
Water Supply System Revenue Bonds - 2000A

Interest rate	Due November 1	Principal	Interest		Total payment requirements
			May 1	November 1	
5.15	2006	\$ 75,000	\$ 49,181	\$ 49,181	\$ 173,362
5.20	2007	75,000	47,250	47,250	169,500
5.25	2008	75,000	45,300	45,300	165,600
5.35	2009	100,000	43,331	43,331	186,662
5.40	2010	100,000	40,656	40,657	181,313
5.45	2011	100,000	37,956	37,956	175,912
5.55	2012	100,000	35,231	35,232	170,463
5.60	2013	100,000	32,456	32,456	164,912
5.70	2014	125,000	29,656	29,657	184,313
5.75	2015	125,000	26,094	26,094	177,188
6.00	2016	125,000	22,500	22,500	170,000
6.00	2017	150,000	18,750	18,750	187,500
6.00	2018	150,000	14,250	14,250	178,500
6.00	2019	150,000	9,750	9,750	169,500
6.00	2020	175,000	5,250	5,250	185,500
		<u>\$ 1,725,000</u>	<u>\$ 457,611</u>	<u>\$ 457,614</u>	<u>\$ 2,640,225</u>

NOTE: Revenue bonds dated May 17, 2000 were issued to provide acquisition and construction of improvements and extensions to the Township's water supply systems under the provisions of Public Act 94. Original debt of \$2,000,000.

CHARTER TOWNSHIP OF DELTA
WATER FUND
SCHEDULE OF BOND AND INTEREST PAYMENT REQUIREMENTS
DECEMBER 31, 2005

Michigan Municipal Bond Authority
Water Supply System Revenue Bonds - 2000B

Interest rate	Due November 1	Principal	Interest		Total payment requirements
			May 1	November 1	
4.95	2006	\$ 50,000	\$ 51,750	\$ 51,750	\$ 153,500
5.00	2007	50,000	50,512	50,512	151,024
5.05	2008	75,000	49,262	49,262	173,524
5.10	2009	75,000	47,369	47,369	169,738
5.10	2010	75,000	45,456	45,456	165,912
5.20	2011	100,000	43,544	43,544	187,088
5.30	2012	100,000	40,944	40,944	181,888
5.40	2013	100,000	38,294	38,294	176,588
5.45	2014	125,000	35,594	35,594	196,188
5.50	2015	125,000	32,187	32,187	189,374
5.75	2016	175,000	28,750	28,750	232,500
5.75	2017	175,000	23,719	23,719	222,438
5.75	2018	200,000	18,687	18,687	237,374
5.75	2019	225,000	12,938	12,938	250,876
5.75	2020	225,000	6,469	6,469	237,938
		<u>\$ 1,875,000</u>	<u>\$ 525,475</u>	<u>\$ 525,475</u>	<u>\$ 2,925,950</u>

NOTE: Revenue bonds dated November 28, 2000 were issued to provide acquisition and construction of improvements and extensions to the Township's water supply system under the provisions of Public Act 94. Original debt of \$2,000,000.

**CHARTER TOWNSHIP OF DELTA
FIDUCIARY FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2005
(with comparative totals for December 31, 2004)**

	Pension trust fund	Other post employment benefit trust fund	Agency fund	Totals	
	Employee retirement	Retiree health benefits	Tax collection fund	2005	2004
ASSETS					
Cash	\$	\$	\$ 730,923	\$ 730,923	\$ 308,737
Investments	16,660,134	1,646,566	4,856,380	23,163,080	22,774,726
Taxes receivable - delinquent			439,269	439,269	482,215
Interest receivable			36,531	36,531	21,386
TOTAL ASSETS	<u>\$ 16,660,134</u>	<u>\$ 1,646,566</u>	<u>\$ 6,063,103</u>	<u>\$ 24,369,803</u>	<u>\$ 23,587,064</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Undistributed tax collections:					
Current	\$	\$	\$ 5,621,169	\$ 5,621,169	\$ 4,989,771
Delinquent and other			441,934	441,934	485,000
Total liabilities			6,063,103	6,063,103	5,474,771
Fund balances - reserved for retirement	16,660,134	1,646,566		18,306,700	18,112,293
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 16,660,134</u>	<u>\$ 1,646,566</u>	<u>\$ 6,063,103</u>	<u>\$ 24,369,803</u>	<u>\$ 23,587,064</u>

CHARTER TOWNSHIP OF DELTA
AGENCY FUND
TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED DECEMBER 31, 2005

	Balance January 1, 2005	Additions	Deletions	Balance December 31, 2005
ASSETS				
Cash	\$ 308,737	\$ 432,747	\$	\$ 730,923
Investments	4,662,433	55,613,686	55,429,748	4,856,380
Taxes receivable delinquent	482,215	213,185	256,131	439,269
Interest receivable	21,386	14,593		36,531
	<u>\$ 5,474,771</u>	<u>\$ 56,274,211</u>	<u>\$ 55,685,879</u>	<u>\$ 6,063,103</u>
LIABILITIES				
Undistributed tax collections:				
Current	\$ 4,989,771	\$ 47,207,299	\$ 46,575,901	\$ 5,621,169
Delinquent and other	485,000	359,244	402,310	441,934
	<u>\$ 5,474,771</u>	<u>\$ 47,566,543</u>	<u>\$ 46,978,211</u>	<u>\$ 6,063,103</u>



Lamonte T. Lator
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Linda I. Schirmer
Steven W. Scott
David M. Raack
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

March 9, 2006

To the Board of Trustees
Charter Township of Delta
Lansing, Michigan

In planning and performing our audit of the financial statements of Charter Township of Delta for the year ended December 31, 2005, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated March 9, 2006, on the financial statements of Charter Township of Delta.

GASBs 43 and 45 - Other Postemployment Benefit (OPEB) Plans

GASB 43, which establishes uniform financial reporting standards for other postemployment plans included in the financial statements of employers is effective for the Township year ended December 31, 2007.

GASB 45 establishes standards for measurement, recognition and display of OPEB expense and related liabilities and disclosures. This GASB is effective for the Township's year ended December 31, 2008.

To the Board of Trustees
Charter Township of Delta
Lansing, Michigan

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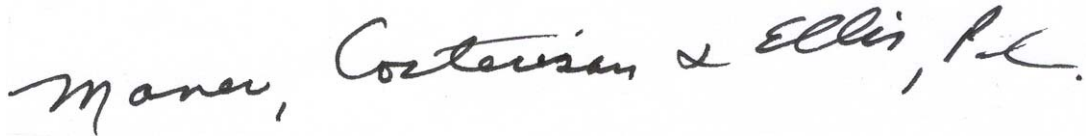
March 9, 2006

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of Charter Township of Delta, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

A handwritten signature in black ink that reads "Maner, Costevisan & Ellis, P.C." The signature is written in a cursive, flowing style.



Lamonte T. Lator
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March 9, 2006

To the Finance Committee
Charter Township of Delta
Lansing, Michigan

We have audited the financial statements of Charter Township of Delta for the year ended December 31, 2005, and have issued our report thereon dated March 9, 2006. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated March 22, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Charter Township of Delta. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Charter Township of Delta's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Charter Township of Delta are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2005. We noted no transactions entered into by Charter Township of Delta during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were estimated fixed assets lives for depreciation, the allocation of expenses among the various funds, fair value of contributed land, and the percentage allocation of flowage rights additions between funds.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Charter Township of Delta's financial reporting process (that is, cause future financial statements to be materially misstated). A summary of significant entries is attached.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Charter Township of Delta's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

To the Finance Committee
Charter Township of Delta
Lansing, Michigan

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March 9, 2006

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Finance Committee, and management of Charter Township of Delta and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maner, Costantino & Ellis, P.C.

SIGNIFICANT ENTRIES ATTACHMENT

	<u>Income (expense) effect</u>
General fund	
No significant entries	
Enterprise funds	
Record depreciation	\$ (2,405,000)
Capitalize fixed assets	1,079,000
Bond activity	780,000
Record contributions	<u>1,681,000</u>
Total enterprise funds	<u><u>\$ 1,135,000</u></u>

GASB #34 journal entries are included in the financial statements